

THE FACTS SET OUT IN THIS DOCUMENT HAVE BEEN AGREED BETWEEN EXECUTIVE COUNSEL AND THE RESPONDENT FOLLOWING AN INVESTIGATION INTO THE CONDUCT OF THE RESPONDENT. THE SETTLEMENT AGREEMENT DOES NOT FOLLOW A HEARING OF EVIDENCE BY A TRIBUNAL. NO FINDINGS HAVE BEEN MADE, NOR SHOULD BE TAKEN TO HAVE BEEN MADE, AGAINST ANY OTHER PERSONS.

IN THE MATTER OF

THE EXECUTIVE COUNSEL TO THE FINANCIAL REPORTING COUNCIL

-and-

RORY O'CONNOR

SETTLEMENT AGREEMENT

Edited for publication

1. This Settlement Agreement ("**Agreement**") is made on the 19th day of December 2016 between Gareth Rees QC as the Executive Counsel of the Financial Reporting Council ("**FRC**"), of 8th Floor, 125 London Wall, London, EC2Y 5AS (the "**Executive Counsel**") of the first part, and Mr. Rory O'Connor of Co. Dublin, Republic of Ireland ("**Mr O'Connor**") of the second part. The Executive Counsel, and Mr O'Connor together are described as "**the Parties**".
2. The Agreement is evidenced by the signatures of the Executive Counsel on his own behalf and by Mr O'Connor on his own behalf.
3. The Particulars of Fact and Acts of Misconduct against Mr O'Connor ("**the Particulars**") as a member of the Chartered Institute of Management Accountants ("**CIMA**"), were prepared by the Executive Counsel in accordance with the FRC Accountancy Scheme ("**the Scheme**") and are annexed. The Particulars relate to the conduct of Mr O'Connor in relation to the preparation of the financial statements of RSA Insurance Ireland Limited ("**RSA**"). More specifically, in respect of the financial years ending 31 December 2009 to 31 December 2012 (inclusive). The allegations of Misconduct relate to :
 - a. Mr O'Connor approving the financial statements for the financial years ended 31 December 2010 to 31 December 2012 (inclusive) in the knowledge that they were inaccurate and misleading;
 - b. Mr O'Connor's facilitation of the Under-Reserving Practice, defined in the Particulars, in the knowledge that the practice was inappropriate and unethical.
4. Mr O'Connor admits the Particulars, including Allegations 1 and 2 as set out in the Particulars.
5. The Parties recognise that the determination to be made in this case is a matter for the Tribunal member in accordance with paragraph 8(4) (ii) of the Scheme.

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6. The Executive Counsel and Mr O'Connor have agreed the following terms of settlement:

Exclusion from the CIMA for a recommended period of 3 years; any application for readmission after the specified period shall not necessarily be approved, but shall be considered by the CIMA on its merits.

A Fine of £50,000 adjusted for aggravating and mitigating factors and discounted for settlement to £35,000. The Fine shall be paid by way of 12 equal monthly instalments, due as follows:

Instalment one: payable no later than 14 days after the date when the Settlement Agreement takes effect.

Instalments two to twelve inclusive: on or before the 28th day of each calendar month, commencing from the month following payment of instalment one.

In reaching this Agreement with Mr O'Connor, the Executive Counsel considered the following stages and took account of the following factors in accordance with the FRC's Sanctions Guidance (the "**Sanctions Guidance**"):

Nature and Seriousness of the Misconduct

- i. Mr O'Connor held a senior position, being the most senior accountant at RSA and a member of the Executive Management Team, with supervisory responsibilities.
- ii. The Misconduct could undermine confidence in the standards of conduct in general of Members, of financial reporting and corporate governance, and in the profession generally.
- iii. The nature, extent and importance of the standards breached. The Misconduct relates to Mr O'Connor's breach of one of the Fundamental Principles of the CIMA Code of Ethics.
- iv. The Misconduct involved a failure to act with integrity.
- v. The Misconduct was not dishonest.
- vi. Mr O'Connor was not solely responsible for the Misconduct.

Identification of Sanction

Having assessed the seriousness of the Misconduct, the Executive Counsel has determined that Exclusion and Fine is an appropriate sanction. Executive Counsel has then taken into account any aggravating and mitigating factors that exist (to the extent

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that they have not already been taken into account in relation to the seriousness of the Misconduct) and any considerations relevant to deterrence. Having considered those additional factors set out below, Executive Counsel has determined that no adjustment to sanction is necessary.

Aggravating Factor

- i. The Misconduct occurred over an extended period of time (over three financial years).

Mitigating Factors

- i. Mr O'Connor fully co-operated with Executive Counsel throughout the investigation of Misconduct;
- ii. Mr O'Connor was not motivated by personal financial gain, and did not stand to gain any profit or benefit from the Misconduct (save for usual salary and emoluments);
- iii. Mr O'Connor was subject to persistent and severe pressure, in relation to the Under-Reserving Practice;
- iv. Mr O'Connor's health, mental wellbeing and clarity of thought were significantly affected by the persistent and severe pressure he endured;
- v. Prior to his elevation in November 2010, Mr O'Connor was a fairly inexperienced mid-level official within RSA. Mr O'Connor's Misconduct arose from an error of judgement attributable to his inexperience as a Chief Financial Officer and a level of timidity in confronting what appeared to him to be a practice with widespread approval;
- vi. Mr O'Connor was unhappy with the operation of the Under-Reserving Practice and expressed that internally (within RSA) on a number of occasions;
- vii. Mr O'Connor has acknowledged and accepted responsibility for the Misconduct and has demonstrated contrition;
- viii. Mr O'Connor has a good compliance history and disciplinary record.

Deterrence

No adjustment for deterrence is required in this case.

Discount for Admissions and Settlement

Having taken into account full admissions by Mr O'Connor and the stage at which those admissions were made (in Stage 1 of the case in accordance with paragraph 59 of the

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Sanctions Guidance), the Executive Counsel determined that a reduction of 30% as to the Fine as a settlement factor is appropriate.

Other Considerations

In identifying the appropriate sanction, Executive Counsel has also, in accordance with paragraph 32 (ii) of the Sanctions Guidance, taken into account the financial resources of Mr O'Connor and that there are no arrangements that would result in part or all of the Fine being paid or indemnified by insurers.

Costs

7. The Executive Counsel and Mr O'Connor have agreed the following terms of settlement:

A sum of £18,000 to be paid by Mr O'Connor, as a contribution towards the Executive Counsel's costs of, and incidental to, the investigation. The costs shall be paid by way of 12 equal monthly instalments, due as follows:

Instalment one: payable no later than 14 days after the date when the Settlement Agreement takes effect.

Instalments two to twelve inclusive: on or before the 28th day of each calendar month, commencing from the month following payment of instalment one.

In accordance with paragraph 62 of the Sanctions Guidance, Executive Counsel has taken into account Mr O'Connor's financial position and the impact of the Fine; and that there are no arrangements that would result in part or all of any award of costs being paid or indemnified by insurers or his firm.

8. If the decision of the Tribunal member is to approve the Agreement, including the sanctions set out above, then the Agreement shall take effect from the next working day after the date on which the notice of the decision is sent to Mr O'Connor in accordance with paragraph 8(4) (iv) of the Scheme.
9. The Agreement and annex will remain confidential until publication in accordance with paragraph 8(6) of the Scheme.

GARETH REES QC

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Gareth Rees QC
Executive Counsel

19 DECEMBER 2016

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Date

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RORY O'CONNOR

19 DECEMBER 2016

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Mr. O'Connor

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Date