



Progress update report

22 May 2019

Important notice

This report has been prepared for the Minister for Finance following consultation with the Department of Finance and in response to a request for a detailed update report made under Section 17 (c) of the Ministerial Instructions issued on 7 February 2013.

Our work on Irish Bank Resolution Corporation Limited (In Special Liquidation) ("IBRC in SL") commenced on 7 February 2013 on the appointment of the Special Liquidators. This report covers the period 1 January to 31 December 2018 (unless otherwise stated) and is an update to the progress report issued on 31 May 2018.

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Nothing in this Report constitutes legal advice. Where legal issues are discussed, the information is only intended to be of a general nature and not a full review of the issues covered.

This engagement is not an assurance engagement conducted in accordance with any generally accepted assurance standards and consequently no assurance opinion is expressed.

Glossary of terms

ALG	A&L Goodbody Solicitors
Anglo	Anglo Irish Bank Corporation Limited
bn	Billion
CBI	Central Bank of Ireland
CCR	Central Credit Register
The Commission	The Commission of Investigation
CSO	Central Statistics Office
DGS	Deposit Guarantee Scheme
DOF	Department of Finance
DPO	Data Protection Officer
DPP	Director of Public Prosecutions
DSAR	Data Subject Access Request
ELG	Eligible Liability Guarantee
FTE	Full Time Employees
FSPO	Financial Services and Pensions Ombudsman
GDPR	General Data Protection Regulations
HMRC	Her Majesty's Revenue and Customs
HR	Human Resources
IBRC	Irish Bank Resolution Corporation Limited
IBRC in SL/The Bank	Irish Bank Resolution Corporation Limited (in Special Liquidation)
IBRC Act/The Act	Irish Bank Resolution Corporation Act 2013
INBS	Irish Nationwide Building Society
IT	Information Technology
m	Million
Mozart / "Project Mozart"	Project to remediate interest overcharging in relation to the Morrissey judgment
NARL	National Asset Resolution Limited
NAMA	National Asset Management Agency
NTMA	National Treasury Management Agency
ODCE	Office of the Director of Corporate Enforcement
PAYE	Pay As You Earn
PSWT	Professional Services Withholding Tax
RCT	Relevant Contracts Tax
ROI	Republic Of Ireland
SL	Special Liquidation
SLs	Special Liquidators
SMU	Service Management Unit
TME	Tracker Mortgage Examination
UK	United Kingdom
US	United States of America
VAT	Value Added Tax

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Executive summary

Special Liquidation – last 12 months

Announced 100% dividend to unsecured creditors.

Settlement of the Quinn litigation.

224 unsecured creditor claims were reviewed and adjudicated during 2018, bringing the total number to 2,632.

Continued responsibility for IBRC regulatory and legal requirements and resolution of outstanding legacy matters.

Continued resolution of litigation proceedings which has reduced the number of proceedings to 93 (FY18: 136).

IT decommissioning and consolidation projects have resulted in cost reductions and an enhanced IT environment.

Tracker Mortgage Examination ("TME") substantially completed.

Recommencement of Interest Overcharging Remediation Project ("Project Mozart") following resolution with third party purchasers in December 2018.

Phase 2 submission of the Central Credit Register.

Special Liquidation – outcome to date



Tasks to completion

A number of key tasks remain, including:

Ongoing management of wind down process.
Liquidity management of €1.25 billion.
Preparation and sale of various assets from the remaining loan book of €3.5 billion.
Complete creditor adjudication process.
Manage ongoing and new civil litigation.
Comply and assist with criminal proceedings.
Comply with regulatory inquiries and investigations.
Comply with the Commission, CCR, eDiscovery and DSAR requests.
Liquidate remaining subsidiaries.
Resolve outstanding tax issues.
Conclusion of Interest Overcharge project.
Complete all statutory liquidation matters.
Further consolidation of the IT landscape to reduce costs while upgrading the IT environment, where required, to ensure continued availability of key systems and applications to support the SL.

Executive summary

Area	Summary
Finance	<ul style="list-style-type: none"> ■ Liquidity management of €1.25 billion. ■ Management of remaining assets on the balance sheet. ■ Manage hedging of Sterling and US dollar exposures. ■ Preparation and submission of monthly updates and other reports to DOF, CBI and CSO. ■ Continued oversight of group rationalisation of subsidiaries and support in the orderly winding up or sale of these entities. ■ Oversight of the creditor adjudication process.
Creditor adjudication process	<ul style="list-style-type: none"> ■ 3,224 claims have been received to date of which 2,632 have been formally adjudicated. ■ The remaining 592 claims are being reviewed, of which 316 claims relate to the Interest Overcharging Remediation Project (see page 10). It is anticipated that the Unsecured Creditor Desk will be writing to these potential claimants during Summer 2019. ■ We commenced paying a further 50% dividend to admitted unsecured creditors in December 2018, bringing the total dividend to 100%. A catch-up payment will be made on a quarterly basis for creditors who are admitted in the quarter. ■ We also commenced adjudication of subordinated unsecured creditor claims. ■ In addition, we will shortly commence adjudication of unsecured creditor claims for post liquidation interest. ■ Responding to creditor appeals and litigation where creditor claims are rejected. ■ There are a number of creditor claims where further legal or tax advice is being sought and these claims will be finalised when the advice has been received.
Regulatory, Operations and HR	<ul style="list-style-type: none"> ■ Management of the remaining loan book of approximately €3.5 billion which contains a small number of connections with assets in various jurisdictions which remain with IBRC due to ongoing litigation. ■ Loan Management Team has further reduced from 3 to 2 staff members during the year as the team continues to agree repayment plans and enforcement strategies. ■ All ongoing litigation and enforcement strategies continue to be managed and progressed. ■ Continue to engage with borrowers to agree and implement full debt repayment proposals. ■ A total of 30 credit decisions were approved by the Supervisory Committee during 2018. ■ Day to day operations management continues to require significant ongoing support for Residual Loan Management, Data Subject Access Requests, requests for release of security, support to eDiscovery, remediation projects and the unsecured creditor team. ■ Submission of Phase 2 of the Central Credit Register ("CCR") on behalf of IBRC in accordance with CBI requirements prior to 30 September 2018 deadline. Monthly reporting of Phase 1 and Phase 2 is ongoing. ■ Operate with ongoing consent of CBI which is currently in place to 30 June 2019 (request for consent submitted at six month intervals).
Legal	<p>Recent Settlement of the Quinn Litigation</p> <ul style="list-style-type: none"> ■ At the end of March 2019 the Quinn Family agreed to a dismissal of all of their claims against IBRC, and the share receiver appointed over Quinn companies in 2011, as well as their separate claim against the Central Bank and various other parties. ■ The Quinn family also agreed to final orders, including orders for judgment, being made against them in the proceedings taken by IBRC against the Quinn family and various other defendants (bearing record number 5843P/2011, the "Conspiracy Proceedings"), which sought to recover assets which IBRC claimed the Quinn family had put beyond the reach of IBRC. ■ Judgments were also obtained against six Quinn family members in respect of employment contracts entered into by them with Russian IPG companies. A stay was placed on the judgments which is subject to certain covenants and undertakings agreed between the parties.

Executive summary

Area	Summary
Legal (continued)	<p>Other legal matters</p> <ul style="list-style-type: none"> ■ Ongoing management of approximately 93 sets of legal proceedings (69 sets as defendant and 24 recovery and enforcement actions). ■ Since the last report: <ul style="list-style-type: none"> – Four new sets of proceedings (two against and two taken by IBRC – one of which has concluded); and – 47 sets of proceedings substantially concluded. ■ Dealing with ODCE/DPP disclosure requests and provision of documentation in context of criminal investigations / prosecutions. ■ Addressing regulatory queries. ■ Liaising with SMU Team concerning, inter alia, FSPO complaints; DSARs, security discharges and other issues/complaints raised by former borrowers. ■ Preparation and submission of monthly Legacy reports to DOF. ■ Liaising with insurers in respect of notification, renewal and recovery under various insurance policies.
Service Management Unit (“SMU”)	<ul style="list-style-type: none"> ■ The Service Management Unit (“SMU”) provides a broad range of support services to other functions within IBRC including investigating and facilitating the release of Title Deeds and Life Policies, office administration, resolving general client related queries, parliamentary questions, assisting with legal enquiries/litigation and eDiscovery searches. ■ In addition, the following key requests were managed during the year: <ul style="list-style-type: none"> – Discharge of historic security charges: <ul style="list-style-type: none"> ■ 301 new requests received in 2018 (an increase from 146 in the prior year) of which 228 were resolved during the period, 35 are being actively worked through and a further 38 were placed on hold (in addition to 41 from 2017) pending receipt of further information from the requestor. – Data Subject Access Requests: <ul style="list-style-type: none"> ■ 30 new DSAR’s were received during 2018 while there were a further two access requests carried forward from 2017. One DSAR remained open at 31 December 2018. – Financial Services and Pensions Ombudsman (“FSPO”): <ul style="list-style-type: none"> ■ One new FSPO complaint was received during 2018. One complaint was resolved during 2018 while 12 cases remained open pending further responses from FSPO/adjudications on the claims.
IT	<ul style="list-style-type: none"> ■ Ongoing management, governance and compliance oversight of the Managed Service Provider. A 15% cost reduction on Year Three contract fees was secured during the year, effective November 2018. ■ Continued management of the infrastructure services, ensuring the IT roadmap is in line with the requirements to support the operations of a bank in Special Liquidation while managing costs and risks. ■ Decommissioning of sizable and complex legacy SAN and Storage environments across the primary and secondary data centres. Structured and non-structured electronic data hosted on these environments were migrated to new hardware to ensure data integrity and security. ■ Consolidation of the secondary data centre, footprint reduced by half, resulting in operational cost savings. ■ Consolidation of the primary data centre is in progress which will result in a footprint reduction of approximately two-thirds the current size which is expected to generate further cost savings.

Executive summary

Area	Summary
IT (continued)	<ul style="list-style-type: none"> ■ Integration of data centre Internet Service Provider lease lines, resulted in the reduction of the complexity and management of the overall environment, further reducing operating costs. ■ Upgraded a number of key IT Infrastructure security systems to ensure the external perimeter of the IBRC/SL environment conforms to industry standard, safeguarding the internet network. ■ Decommissioned the business continuity site hosted by a third party resulting in cost reductions and simplifying the complexity and management of the network. All future continuity business requirements can now be hosted remotely. ■ Decommissioning of the VPN Laptop solution has further reduced the complexity within the environment, reducing risk and costs as all assets have been returned. ■ Annual IT Disaster Recovery Test completed successfully in Q3 2018.
Interest overcharging remediation project	<ul style="list-style-type: none"> ■ The Project to remediate the interest overcharging in relation to the Morrissey judgment, Project Mozart, commenced in May 2016 with Phase 1 completed on 10 March 2017. ■ Phase 1 primarily involved the identification of the relevant population of potentially impacted customers, seeking Court Directions to confirm certain rules and assumptions (confirmed in December 2016) and the design, build and test of a Case Management Tool ("CMT") to manage the workflow of remediation and communications activity. ■ The project was placed on hold pending the outcome of a Court application by third parties who acquired loans from IBRC. A resolution was reached between IBRC and the third party purchasers was reached in December 2018 prior to the scheduled hearing date. ■ Consequently, the project has now recommenced and moved into Phase 2, which will involve: <ul style="list-style-type: none"> – Finalisation of the customer letter templates for the range of scenario types; – IT software development to reflect project change requests; – Finalisation of all CMT and IOC modules; – Phase and end-to-end testing of the final CMT and Interest Overcharge Calculator ("IOC"); – Recruitment and ongoing ramp-up of Project team in advance of the go-live stage of the Remediation and Communication workstream; – Business readiness activity for communication of remediation to customers including team setup, procedures, logistics planning etc.; – Significant level of external legal advice to support key decisions; – Notification to CBI on the final approach to be adopted for the communication and remediation of impacted customers; – Remediation and communication of refunds to relevant affected customers; and – Queries and appeals. ■ Communications will issue to relevant affected customers during Summer 2019.
Commission of Investigation ("Commission")	<ul style="list-style-type: none"> ■ No additional Directions were issued by the Commission to the SLs since the last report. ■ The SLs will continue to comply with all Directions and continue to provide all possible assistance to the Commission in order to allow it to carry out its functions.

Executive summary

Area	Summary
Tracker mortgage examination ("TME")	<ul style="list-style-type: none"> ■ In 2017 16 customers were determined to be impacted under the Tracker Mortgage Examination ("TME"). ■ Phase IV (Implementation of Redress Programme, where relevant) of the TME is now substantially complete. ■ As of the end of February 2019, 13 of the 16 identified impacted borrowers received redress as planned being; <ul style="list-style-type: none"> ■ 100% of their unsecured creditor claim; ■ 100% of their liquidation expense and; ■ 100% of their unsecured creditor interest (less applicable interest withholding tax). ■ 3 of the 16 impacted customers remain uncontactable, despite numerous efforts to obtain an appropriate address. Their redress will be held in escrow. ■ One appeal has been received and the decision was upheld.
eDiscovery	<ul style="list-style-type: none"> ■ Dedicated team to ensure Commission of Investigation requirements are met (see below), litigation eDiscovery timelines complied with and assisting on DSAR discovery searches. ■ Ongoing review and improvements to eDiscovery processes and procedures to improve efficiency and capacity. ■ Detailed assessments and project planning undertaken in advance of introduction of GDPR legislation in May 2018. ■ Reduction in dedicated KPMG team from 3 to 2 during the year in line with case load.
Creditor dividends	<ul style="list-style-type: none"> ■ A third and final dividend to unsecured creditors was announced in December 2018 and payment has commenced. ■ This payment (50%) represents the final instalment of the principal owed to unsecured creditors, which includes the State, as at the date of the liquidation of IBRC in February 2013. ■ A catch-up payment will be made on a quarterly basis for unsecured creditors who are admitted in the quarter. ■ We have commenced adjudication of subordinated unsecured creditor claims. We expect a 100% dividend to be paid to these creditors once the claims have been adjudicated. ■ We will also shortly commence adjudication of unsecured creditor claims for post liquidation interest. Creditors who have a contractual entitlement to interest will be included for adjudication. We expect a 100% dividend to be paid to those creditors whose claims have been admitted as part of the adjudication process. ■ It is our expectation that there should be further funds recoverable to the State following payment of post liquidation interest claims.
Asset realisations / funds inflow	<ul style="list-style-type: none"> ■ Borrower repayments on loans and assets realised during 2018. ■ Successful expert determination concluded in December 2018 with an award in favour of IBRC, funds have been received.
Office relocation	<ul style="list-style-type: none"> ■ IBRC was required to move office during 2018 upon the expiration of the lease on its former premises in King's Building, Church Street in November 2018. ■ A programme plan was put in place to identify potential alternative office options in line with the future operational and business requirements of IBRC and to ensure a seamless transition of services during the office move. ■ Managed and successfully re-located the business and services to the new premises in Latin Hall, Golden Lane, Dublin 8 in November 2018. ■ A substantial reduction in annual lease rental costs was achieved.



Creditor adjudication process

Creditor adjudication process: key highlights



224 claims were reviewed and adjudicated **during 2018**, bringing the **total number** of adjudicated claims to **2,632**.

The remaining **592 claims are currently being reviewed** of which 316 claims relate to the ongoing Interest overcharging remediation project. It is anticipated that the Unsecured Creditor Desk will be writing to all of these claimants during Summer 2019.

The **payment of a third and final dividend of 50%** to admitted unsecured creditors of IBRC was announced in December 2018 and is in progress.

The payment of this final dividend will bring the total dividend for **admitted unsecured creditors to 100%**.

Approximately **€1.18 billion has been paid to State agencies** through the unsecured dividend payment process.

Creditor appeals on claims rejected are being progressed, there are currently **ten appeals outstanding**.

We also commenced **adjudication of subordinated unsecured creditor claims**.

In addition, we will shortly commence **adjudication** of unsecured creditor claims for **post liquidation interest**.

Creditor adjudication process: overview

Creditor adjudication process		
Adjudicated Claims	31-Dec-17	31-Dec-18
Claims approved	1,276	1,290
Claims rejected	1,132	1,342
Total adjudicated claims	2,408	2,632
Ongoing Claims		
Interest overcharge linked to Mozart	309	316
Claims in Litigation (Added in 2018)	-	75
Performance bonds	155	120
Claims reviewed and sent back to creditor requesting further documentation	60	13
Claims in progress	167	68
Total ongoing claims	691	592
Total claims	3,099	3,224

Claims are reviewed as submitted. If insufficient information is provided, additional information is requested. Once all the information has been received, we assess the merits of both the liability and the quantum submitted. If a valid claim can not be demonstrated, the claim is rejected and the potential creditor has 14 days to appeal.

224 claims were reviewed and adjudicated during 2018, bringing the total number of concluded claims to 2,632.

Of the 592 remaining claims, 75 defendant litigation claims have been added during 2018 to represent ongoing defendant litigation which may in turn give rise to unsecured creditor liabilities. The Unsecured Creditor Desk continues to work directly with the IBRC Legal team and external legal advisors to progress these unsecured creditor claims.

Interest overcharge claims linked to Project Mozart amount to 316 of the ongoing claims. These are being reviewed in conjunction with the *Interest overcharging remediation* project outlined on pages 19 to 21. It is anticipated that the Unsecured Creditor Desk will be writing to all of these claimants during Summer 2019 in conjunction with the Project Mozart communication process.

Claims at this stage of the review and adjudication process typically relate to complex financial transactions and consequently require more extensive and detailed reviews prior to bringing to conclusion. During 2018 the Unsecured Creditor Desk adjudicated on all 55 interest rate derivative claims which were some of the more complex transactions.

The remaining 81 claims in progress are inclusive of 10 appeals where the claims were previously rejected. Responses to these appeals are currently in progress.

Dividend

A dividend of 50% was announced in December 2018 and payment of this amount is ongoing.

This payment represents the third and final instalment of the principal owed to the unsecured creditors, which includes the State, as at the date of the liquidation of IBRC in February 2013.

We have commenced adjudication of subordinated unsecured creditor claims. We expect a 100% dividend to be paid to these creditors once the claims have been adjudicated.

We will also shortly commence adjudication of unsecured creditor claims for post liquidation interest. Creditors who have a contractual entitlement to interest will be included for adjudication. We expect a 100% dividend to be paid to these creditors once the claims have been adjudicated as admitted.

Work remaining/ key future actions

- Continue to contact claimants for further information to substantiate claims being considered for adjudication.
- Work in conjunction with the Project Mozart team to ensure successful processing and payment of all unsecured creditor claims arising out of the interest overcharge remediation exercise.
- Notification of acceptance of claims to creditors where claims have been agreed by the unsecured creditors review team.
- Notification of rejection of claims where entitlement cannot be proven or the figure claimed has not been substantiated by the claimant.
- Continue to deal with requests for information and other correspondence received by the Unsecured Creditor desk.
- Continue to liaise with ALG and other professional advisors as required for advice and assistance in correct adjudication of claims.
- Continue to liaise with relevant State / governmental / regulatory bodies as appropriate in relation to claims.
- Liaising with tax advisors regarding the tax treatment of unsecured dividend payments.
- Liaising with in house legal team regarding the ongoing legal cases where settlements when finalised will be included as an unsecured creditor.
- Process the final 50% dividend for all admitted unsecured creditors.
- There are a number of claims which relate to complex financial transactions and these claims are being reviewed in detail.
- Respond to creditor appeals where claims are rejected.
- Finalise adjudication of the creditor claims from holders of subordinated bonds.



Legal workstream

Legal workstream: key highlights



Recent settlement of the Quinn litigation (March 2019).

The Quinn Family agreed to a dismissal of all of their claims against IBRC and also agreed to final orders being made against them in the proceedings taken by IBRC. A stay was placed on the judgments, subject to certain covenants and undertakings.

Four new sets of proceedings (two brought against IBRC and two taken by IBRC) noted in the period from 28 February 2018 to 1 March 2019.

Ongoing **management of** approximately **93 sets of legal proceedings** (69 sets as defendant and 24 recovery and enforcement actions).

47 sets of proceedings substantially **concluded** since the last progress report.

Managing the conclusion of IBRC's involvement in proceedings where the underlying loan was sold (through substitution or discontinuance).

Dealing with **CBI / ODCE / DPP disclosure requests** and provision of documentation in the context of administrative sanctions inquiry into INBS / criminal investigations / prosecutions.

Liaising with **SMU Team** concerning, inter alia; **FSPO complaints, DSARs, security discharges** and other issues/complaints raised by former borrowers.

Legal workstream: overview

IBRC Group Legal and the SLs actively manage all current litigation/legal cases taken by or against IBRC (in SL). Many of these proceedings are high profile and/or of significant value, involving former directors and officers of Anglo/INBS, claims of negligence by professional advisers, or substantial claims for and against former borrowers concerning their loans and/or related security.

Ongoing litigation

IBRC remains party to 93 legal cases, comprising plaintiff litigation and defendant litigation. A table providing a breakdown of the total active cases under management as compared to last years update report is set out below.

Legal workstream - active cases (summary)		
	28-Feb-18	01-Mar-19
Defendant litigation	111	69
Recovery & enforcement actions	25	24
Total active cases	136	93

The overall reduction in cases since the last report is 47 - taking into account the four new proceedings as discussed below.

These figures do not take account of all Quinn related litigation; subrogated claims; UK cases; miscellaneous financial leasing litigation and US foreclosure proceedings; or proceedings to which IBRC currently remains a party where the benefit has transferred to a loan purchaser and the purchaser is yet to substitute into the proceedings (addressed opposite).

New Proceedings

Four new cases were issued since the date of the last report (two by IBRC and two against IBRC – one of which has since been resolved).

The general reduction in new cases follows a consistent trend in recent years largely coinciding with statutory limitation periods. In the short term however, an increase in new litigation can be anticipated arising from challenges to determinations made in the unsecured creditor adjudication process.

Plaintiff Litigation

IBRC continues to manage 24 recovery and enforcement actions. Many of these cases were instigated prior to the SLs appointment, which IBRC continues to pursue. In other instances, and in accordance with the SLs strategy, IBRC has issued proceedings with a view to maximising recovery, for debt due and owing, to enforce judgments obtained, for asset recovery or protection, or seeking damages for acts of professional negligence.

Defendant Litigation

The SLs are managing 69 proceedings in which it is defendant. IBRC continues to actively attempt to reduce its exposure to Defendant Litigation. The SLs assess the merits of defending such litigation and, where deemed appropriate, IBRC Group Legal implements the SLs strategy of reducing the number of defendant cases in the most cost effective manner possible.

Summary of key issues dealt with since the last progress report

- 47 sets of proceedings concluded since the last report.
- Defence of various proceedings including concerning allegations of mis-selling of SWAPS and investments, mismanagement, negligence, breach of contract and breach of duty.
- Continued involvement in residual loan portfolio management and the resolution of outstanding debt.
- Liaising with insurers in respect of notification and renewal of various insurance policies, as well as engagement to secure cover for certain defendant litigation and counterclaims.
- Liaising with CBI in respect of inter alia, disclosure requests made of IBRC in relation to the administrative sanctions Inquiry into INBS and former officers.
- Ongoing work to ensure IBRC's involvement in any proceedings against former borrowers (where the underlying loans/security have been sold) is concluded through Purchaser substitution applications or discontinuance.
- Extensive work on NAMA residual issues, including: substitution into proceedings; agreement in respect of foreign assets; providing assistance in terms of powers of attorney, deeds of release, deeds of transfer of legal interest/security and statutory declarations.
- Liaising with SMU Team concerning, inter alia, FSPO complaints; DSARs; security discharges; and other issues/complaints raised by former borrowers.
- Extensive engagement with DPO in relation to various data protection issues including GDPR compliance, DSAR policy and ODPIC investigations.
- Extensive interaction with unsecured claims team where legal issues arise or there is crossover with claimants in proceedings.
- Dealing with a number of ODCE / DPP disclosure requests and provision of documentation in the context of criminal investigations / prosecutions.
- Preparation and submission of monthly Legacy reports to DOF.

Legal workstream: overview

Recent settlement of the Quinn litigation

- At the end of March 2019, the Quinn Family agreed to a dismissal of all of their claims against IBRC, and the share receiver appointed over Quinn companies in 2011, (bearing record number 4336P/2011, the “QFL Proceedings”) as well as their separate claim against the Central Bank and various other parties. Further to the agreement between the parties, it was agreed that judgment in the sum of €88,157,351.99 be entered against each of Ciara Quinn, Colette Quinn, Brenda Quinn, Aoife Quinn and Sean Quinn Junior in favour of IBRC in the QFL Proceedings. This amount represents IBRC’s Counterclaim in the Quinn Family Litigation. A stay was placed on the judgments which is subject to certain covenants and undertakings agreed between the parties.
- The Quinn family also agreed to final orders, including orders for judgment, being made against them in the proceedings taken by IBRC against the Quinn family and various other defendants (bearing record number 5843P/2011, the “Conspiracy Proceedings”), which sought to recover assets which IBRC claimed the Quinn family had put beyond the reach of IBRC. Judgment was granted in favour of IBRC against Ciara Quinn, Colette Quinn, Sean Quinn Junior, Brenda Quinn, Aoife Quinn, Stephen Kelly, Niall McPartland and Karen Woods (excluding Sean Quinn Senior, Peter Darragh Quinn and Patricia Quinn) in the Conspiracy Proceedings, on a joint and several basis, in the amount of \$133,354,985. A stay was placed on the judgment which is subject to certain covenants and undertakings agreed between the parties. The Quinn family have provided IBRC with full disclosure and they have relinquished any entitlement to any of the assets that are the subject of IBRC’s security, which the Quinn family acknowledged to be valid and enforceable.
- Judgments were also obtained against each of Karen Woods, Stephen Kelly, Niall McPartland, Aoife Quinn, Ciara Quinn and Colette Quinn in respect of employment contracts entered into by them with Russian IPG companies. A stay was placed on the judgments which is subject to certain covenants and undertakings agreed between the parties. (A judgment of RUB 10,575,427.29 was granted against Karen Woods. A judgment of RUB 11,303,998 was granted against Stephen Kelly. A judgment of RUB 10,146,855.58 was granted against Niall McPartland. A judgment of RUB 12,575,427.29 was granted against Aoife Quinn. A judgment of RUB 12,146,855.58 was granted against Ciara Quinn. A judgment of RUB 13,146,855.58 was granted against Colette Quinn.)



Interest overcharging remediation

Interest overcharging remediation workstream: key highlights



The Mozart Project to remediate the interest overcharging commenced in May 2016 with **Phase 1 completed** on 10 March 2017.

Phase 1 primarily involved the identification of the relevant population of potentially impacted customers and the design, build and test of a **Case Management Tool** ("CMT") to manage the workflow of remediation and communications activity.

The **project was placed on hold** pending the outcome of a Court application by third parties who acquired loans from IBRC.

Resolution between IBRC and the third party purchasers was reached in **December 2018**.

The **project** has now recommenced and **moved into Phase 2**.

Phase 2 involves **finalisation of the customer letter templates** for the range of scenario types, **IT software** development / testing and detailed **communication** planning.

It is estimated that the remediation and communication of refunds to relevant affected customers will occur during **Summer 2019**.

Interest overcharging remediation workstream: summary of issues

Background

- In proceedings entitled IBRC v John Morrissey, the High Court delivered a Judgment by Finlay-Geoghegan J. dated 29 October 2014 (“the Judgment”). In the Judgment, the Court considered whether IBRC had incorrectly calculated interest due on Mr Morrissey’s borrowings with IBRC.
- IBRC had applied an Actual/360 day year method of calculating interest due. The Court however found that this was not in accordance with the relevant Terms and Conditions attached to IBRC loan documents.
- Consequently, in general, 5 days additional interest per annum has been charged on impacted accounts.
- All IBRC customers with similar loan terms and conditions were potentially impacted by this issue.
- As a result, IBRC commenced a programme of remediation to identify and address any instances where customers were overcharged based on this Judgment.
- The project was placed on hold pending the outcome of a Court application by third parties who acquired loans from IBRC. A resolution between IBRC and the third party purchasers was reached in December 2018 prior to the scheduled hearing date.
- Consequently, the project has now recommenced and moved into Phase 2.

Potentially impacted population

- The customers and accounts impacted by the issue identified by the Judgment are as follows:

Estimate of potentially impacted customers and accounts			
	Dec-17	Dec-18	Change since Dec 2017
# of Customers	6,639	6,245	(394)
# of Loans	16,287	14,948	(1,339)

- The IBRC systems were unable to electronically identify which loans had terms and conditions that were similarly impacted.
- This necessitated a manual case review of all relevant loan accounts documentation to establish whether the relevant wording was present in the loan documentation for loans open as at or since 7 February 2007.

Potentially impacted population (continued)

- The decrease of 394 in the number of borrowers impacted (1,339 loans) since the last report reflects the outcome of detailed case by case review of relevant loan documentation. These customers were excluded as it was confirmed that their loan documentation was not impacted by the Judgment.

Key actions

- Approach and detailed planning commenced for communication of remediation amounts to customers.
- Mobilisation of Project and IT team to complete preparations for communication of remediation amounts to customers.
- Majority of customer letter templates for the range of scenario types now finalised.
- Finalisation of the customer letter templates for the range of scenario types.
- Completion of IT build activity on the final CMT and the IOC.
- End-to-End system testing and User Acceptance Testing of the final CMT and IOC.
- Business readiness activity for communication of remediation to customers including team setup, procedures, training etc.
- Communication of approach with NAMA and Third Party Purchasers.
- Notification to CBI on the final approach to be adopted for the communication and remediation of impacted customers.
- Significant level of external legal advice to support key decisions.
- Recruitment and ongoing ramp-up of Project team in advance of the go-live stage of the Remediation and Communication workstream.
- Remediation and communication of refunds to relevant affected customers.
- Queries and appeals.
- Communications will issue to relevant affected customers during Summer 2019.



eDiscovery workstream

eDiscovery workstream: key highlights



Complying with litigation eDiscovery timelines and meeting **GDPR legislative requirements** with respect to Data Subject Access Requests ("DSAR").

Dedicated team from KPMG managing ongoing eDiscovery requirements.

Continuous refinement of eDiscovery processes and procedures to maximise eDiscovery capabilities and capacity.

Utilisation of the latest Nuix and Clearwell eDiscovery software platforms to **mitigate operational risk** and **improve performance**.

eDiscovery workstream: overview

Workstream overview

- Focus on managing the eDiscovery caseload by supporting Group Legal's litigation activities.
- Continuous assessment of dedicated KPMG team ongoing and team reduced from 3 to 2 in line with case load.
- Ongoing review and improvements to eDiscovery processes and procedures to improve efficiency and capacity.
- Upgrade to the latest version of Clearwell eDiscovery environment and Nuix eDiscovery platform to maintain software performance and mitigate operational risks to technology environments.

Key issues arising/risks/challenges

- Loss of legacy staff knowledge and increasing reliance on historical information.
- Risk of loss of access to legacy electronic information arising from retirement of legacy information storage infrastructure.
- Prioritising discovery caseload as well as DSAR and FSPO requests. This remains an important challenge as resources are reduced.

Key actions/achievements

- The risk presented by the reduction in dedicated eDiscovery resources within IBRC has been mitigated by additional KPMG resources being trained up in order to support the eDiscovery function in IBRC should be need arise.
- DSAR process successfully reviewed and modified in order to comply with the new GDPR legislation.

eDiscovery activity in 2018

- Processing of more than:
 - 5 million emails; and
 - 1 million electronic documents.
- Retrieval / search of:
 - 600 archive boxes (searches conducted from 80,000 boxes archived); and
 - 70Tb of electronic information (c.394 million email files and 135 million electronic documents).

eDiscovery activity in 2018 - statistics (continued)

- Support for:
 - 5 legal review teams with 30 separate legal reviewers;
 - In excess of 25 general searches and requests for information;
 - 20 scoping and early case assessment for litigation matters; and
 - 5 electronic disclosures in support of litigation.

Work remaining/Key future actions

- Incremental improvements to i2 (enterprise intelligence system) as additional sources of corporate knowledge are identified and linkages in information are established.
- Transition of legacy information from legacy information storage environments to new environments.
- Continue to manage and support all Criminal, Civil and DSAR requests made against IBRC.
- Ongoing process efficiency improvements across support to legal teams as part of discovery of information.
- Facilitate the retirement of legacy application and hardware environments and reduce costs of ongoing support of information retention and access.
- Comply with any further Directions issued by the Commission of Investigation ("Commission") and continue to provide all possible assistance to the Commission in order to allow it to carry out its functions.



Tax workstream

Tax workstream: key highlights



Working to ensure that IBRC's **tax affairs** are managed effectively so that all relevant **tax obligations** are met on a timely basis.

Ongoing engagement with the **Irish Revenue** in relation to an open tax audit.

Ongoing engagement with **HMRC** in relation to an appeal of a tax decision in the UK.

Ensuring that withholding tax obligations are complied with on payments to **unsecured creditors**.

Analysing the **tax implications** of winding up various Irish subsidiaries and the **repatriation of capital** from foreign subsidiaries.

Ongoing engagement with **foreign tax authorities** in relation to the tax position of the IBRC Group.

Tax workstream: overview

Overview

- IBRC is a complex organisation which gives rise to tax obligations under a very broad range of headings in a number of jurisdictions. The key tasks undertaken by the Tax workstream are described below.

Operation of IBRC's Irish tax function

- The SLs tax team has been working to ensure that IBRC's tax affairs are managed effectively to ensure that all relevant tax obligations are met on a timely basis. This includes:
 - Preparation and filing of Irish corporation tax returns for IBRC and two of its Irish subsidiaries;
 - Preparation and filing of partnership income tax returns;
 - Preparation and filing of tax information returns as required (return of payments to third parties, etc.);
 - Operation of the VAT tax regime (including related tax filings and payments for IBRC);
 - Operation of the PSWT, RCT & Income Tax withholding regimes (including related tax filings and payments);
 - Operation of the PAYE regime;
 - Ensuring tax compliance in respect of unsecured creditor claim payments; and
 - Engaging with the Revenue Commissioners in relation to an open tax audit on historic matters.

Asset disposals

- Analysis of the tax implications of winding down various subsidiaries.

IBRC's US tax obligations

- Ongoing preparation of the 2018 US federal tax return and the implications of winding down the US loan book.

Asset recovery

- Advising on the foreign tax implications of asset recoveries.
- Advising on overseas capital repatriation.
- Tax input into restructuring proposals.

Work remaining / Key future actions

- Advising on the disposal of any foreign situated assets and repatriation of proceeds to Ireland.
- Ongoing Irish tax compliance obligations in respect of corporation tax, income tax, VAT, PAYE, RCT, and PSWT.
- Ongoing preparation of US federal returns and advice on cessation of taxable presence in US.
- Resolution of an appeal of a tax decision in the UK.
- Addressing the winding up of subsidiaries and the distribution of remaining assets to IBRC. Liaising with liquidators for the subsidiaries as required.
- Management of tax issues related to assets under enforcement action in a range of countries including Ireland.
- Engagement with the Revenue Commissioners in relation to an open tax audit on historic tax matters.
- Advice in relation to various borrower related matters.
- Advising on the tax treatment of payments to unsecured creditors.
- Advising on the tax aspects of the recovery of assets.
- Ongoing correspondence with HMRC in relation to outstanding matters.



Costs and fees

Summary of Special Liquidation fees (to 31 December 2018)

The table below details the actual professional fees associated with the SL since the commencement of the SL on 7 February 2013 to 31 December 2018.

Special liquidation professional and legal fees (gross fees)			
€000	59 month period to 31 Dec 17	12 month period to 31 Dec 18	71 month period to 31 Dec 18 ⁴
KPMG SL team			
- KPMG Ireland	140,511	8,624	149,135
- KPMG UK	8,583	24	8,607
- KPMG other	829	16	845
KPMG SL team total	149,923	8,664	158,587 ¹
KPMG migration	4,560	-	4,560
ALG	38,505	1,304	39,809 ²
ALG - Commission work	392	43	435 ³
Linklaters	20,499	99	20,598
Other legal advisors			
Arthur Cox	5,706	18	5,724
Maples and Calder	2,874	-	2,874
Skadden, Arps, Slate, Meagher & Flom LLP	2,808	469	3,277
Byrne Wallace	2,725	4	2,729
RDJ	545	-	545
PJ O'Driscoll	185	-	185
McCann FitzGerald	106	-	106
Other legal firms	260	153	413
Other legal advisors total	15,210	644	15,854
Professional advisors			
PwC	5,459	-	5,459
Property valuation fees	4,669	31	4,700
Valuer A	3,745	-	3,745
Merrills	1,594	-	1,594
Savills	966	-	966
Goodbody	675	-	675
Eastdil	531	-	531
Deloitte	435	3	438
Other professional advisors	85	18	103
Professional advisors total	18,159	52	18,211
Total	247,248	10,806	258,054

Notes

- ¹ KPMG rates are based on NAMA rate cards for the relevant services. This is the total fee chargeable for the period. There has been no increase to rates applied since start of liquidation on 7 February 2013. This is before a rebate of €5.0 million was agreed following discussions at the request of the Minister. KPMG staff working on the IBRC project was approximately 23 on an annual average full time employee (FTE) basis for the 12 month period to 31 December 2018 (64 for the 12 month period to 31 December 2017).
- ² ALG rates are based on NAMA rate cards for the relevant services. This is the total fee chargeable for the period. This is before a rebate of €2.7 million which was agreed following discussions with the SLs and DOF.
- ³ Represents fee for legal work completed in relation to the Commission of Investigation undertaken by ALG.
- ⁴ Please see the Appendix for an analysis of SL fees by period.

KPMG SL team by workstream to 31 December 2018		
Workstreams	Hours	€000
Deal and associated activities	260,347	50,932
Finance, operations and creditor adjudications	273,415	55,502
Regulatory and other required reviews	218,139	33,978
Legal and litigation	28,383	6,466
Other activities	56,157	11,708
Gross (prior to rebate)		158,587 ¹
Rebate applied		(5,000)
Total (net of rebate)	836,441	153,587

The table below details the SL professional and legal fees net of the rebates agreed.

SL professional and legal fees analysis - gross vs net	
€000	71 month period to 31 Dec 18
SL related professional and legal fees (gross)	258,054
Rebates agreed:	
- KPMG	(5,000)
- ALG	(2,706)
- Linklaters	(324)
Total rebate	(8,030)
SL related professional and legal fees (net of rebate)	250,023

- Notes: (a) The fees represented are exclusive of VAT and disbursements;
 (b) GBP fees have been converted at GBP1:€1.18 for the 14 month period to 31 March 2014; GBP1:€1.2512 for the 9 month period to 31 December 2014; GBP1:€1.37728 for the 12 month period to 31 December 2015; GBP1:€1.22515 for the 12 month period to 31 December 2016; GBP1:€1.14068 for the 12 month period to 31 December 2017 and GBP1:€1.130314 for the 12 month period to 31 December 2018.
 (c) USD fees have been converted at USD1:€0.7485 for the 14 month period and USD1:€0.7613 for the 9 month period to 31 December 2014; USD1:€0.9011 for the 12 month period to 31 December 2015; USD1:€0.904 for the 12 month period to 31 December 2016; USD1:€0.8872 for the 12 month period to 31 December 2017 and USD1:€0.8467 for the 12 month period to 31 December 2018.

Summary of Special Liquidation fees (to 31 December 2018)

KPMG Special Liquidation (gross fees) - actual to date							
€000	Actual						Total 71 month period to 31 Dec 18
	11 month period to Dec-13	Dec-14	Dec-15	Dec-16	Dec-17	Dec-18	
Deal and associated activities	16.5	18.7	8.3	3.2	2.9	1.5	50.9
Finance, operations and creditor adjudications	18.0	9.5	6.4	8.9	7.8	5.0	55.5
Regulatory and other required reviews	-	-	6.8	17.3	9.3	0.5	34.0
Legal and litigation	1.1	0.7	1.0	1.6	1.2	1.0	6.5
Other activities	3.8	3.2	2.1	1.3	0.7	0.7	11.7
Gross (pre rebates agreed)	39.3	32.1	24.5	32.2	21.8	8.7	158.6
Rebate applied							(5.0)
Total (net of rebate)							153.6

Note: (a) The fees represented are exclusive of VAT and disbursements;

KPMG SL team fees 2018 (actual v. forecast)			
€m	Actual	Forecast	Variance ¹
2018	8.7	15.0 - 17.5	(6.3) - (8.8)

Note: (a) The fees represented are exclusive of VAT and disbursements;

1 Notes

- Please note that the actual KPMG Special Liquidation team fees incurred for 2018 were significantly lower than forecast in last years report (€8.7 million compared to a range of between €15.0 – €17.5 million) primarily due to:
 - Phase 2 of Project Mozart (interest overcharging remediation project) not recommencing as anticipated in 2018 as a result of a Court directions application by third parties who acquired loans from IBRC. A resolution between IBRC and the third party purchasers was reached in December 2018 prior to the scheduled hearing date and this project has recommenced in 2019. Consequently, a significant proportion of the costs previously forecast to be incurred in 2018 (c. €4.0 - €5.0 million) are now forecast to be incurred in 2019. The *Estimate of future Special Liquidation fees* table overleaf reflect this reforecast;
 - Continuous assessment of staffing requirements and reductions where possible in workstream numbers as the team continues to make progress agreeing repayment plans, enforcement strategies and adjudicating on claims. KPMG staff working on the IBRC project was approximately 23 on an annual average full time employee (FTE) basis for the 12 month period to 31 December 2018 (64 for the 12 month period to 31 December 2017); and
 - A proportion of legal costs related to Quinn litigation, which were forecast to be incurred in 2018 in in line with the originally scheduled court case date (January 2019), will now be included within the 2019 update report as a result of the court case start date moving to March 2019.

Estimate of future Special Liquidation fees

Special Liquidation professional and legal fees (forecast)			
€m	KPMG SL team total	Other legal & professional advisors	Total
2019 ^(a)	14.0 - 16.0	3.0 - 4.0	17.0 - 20.0
2020	7.5 - 10.0	3.0 - 4.0	10.5 - 14.0
2021	4.0 - 5.0	2.0 - 3.0	6.0 - 8.0
	25.5 - 31.0	8.0 - 11.0	33.5 - 42.0

Note: (a) Revised;

(b) The fees represented are exclusive of VAT and disbursements.

Update

- As a result of a Court application taken by third party loan purchasers, Project Mozart did not recommence in 2018 as previously forecast. An agreement was reached between IBRC and the third party purchasers in December 2018 and this project has recommenced in 2019. Consequently, the 2019 forecast has been revised to reflect this change in project timing.
- The recent settlement of the Quinn litigation, as set out on page 18, resolved the largest set of legal cases which IBRC was party to (see *Key Assumptions* below for overview of remaining sets of legal cases). Consequently, we have brought the expected timeline for the completion of the estimated wind down of the Special Liquidation forward by one year from the end of 2022 to the end of 2021. This revision is subject to the material and substantial caveats and future events outside the control of the SLs, as set out in *Notes* and *Key assumptions* below, in particular:
 - No appeals or challenges are brought in relation to the outcome of other current or future litigation IBRC is involved in; and
 - The sale of the Quinn related assets occur in an orderly and timely manner. To this end, we have started a process of preparing these assets for sale, with the first two of these assets now on the market.
- 2020 and 2021 numbers are as forecast in last years report.

Notes

- Please note that the above forecast table is provided for guidance only as the likely timing and costs to complete the Special Liquidation are subject to significant change depending on future events which are outside the control of the SLs.
- As the Special Liquidation of IBRC is ongoing, the ultimate timing and costs of the SL will not be finally determined until such time as matters such as all loan assets are sold, the total level of adjudicated creditors is finalised and the other contingent creditor claims which may crystallise, including those from litigation, are known.
- While the bulk of the liquidation proceeds have been realised and the work involved on a number of workstreams is declining, such as deals and associated activities, there remains a significant amount of work to be completed by the Special Liquidators as outlined in *Tasks to Completion* on page 7 of this report.
- Please note the table above only includes an estimate of the KPMG SL fees which are forecast based on current information available to us.
- Other legal and professional fees are forecast based on information currently available and have been estimated by the SLs.
- The fees forecast are subject to the key assumptions below.

Key assumptions

- The numbers included in “the projected period” (forecast to 31 December 2021) in the above table are based on the following key assumptions.
 - The on-going management of c. 93 sets of legal cases to which IBRC (in special liquidation) remains party are concluded and no appeals are received in relation to the proceedings.
 - The majority of proceedings are ones in which IBRC is defendant (69 cases). As such the prosecution of the claim is not in the control of IBRC. IBRC has taken steps to bring interim applications to strike out proceedings where possible, or to bring them towards conclusion. Please note that the average High Court case takes approximately 18 months to conclude and if successfully defended, IBRC can expect that a cohort of these Plaintiffs will appeal. Currently there is approximately a 12 month wait for Court of Appeal hearing dates.
 - No new material litigation being taken against IBRC;
 - No new material regulatory reviews or investigations which IBRC would be required to establish a special project team is assumed. Ongoing day to day regulatory interaction assumed.
 - No new material creditors attempt to submit a claim in the liquidation.
 - Liquidation of the remaining subsidiaries in a timely manner with no unexpected issues arising.
 - Wind down of the remaining loan book of c. €3.5bn during the projected period.
 - The realisation of all remaining assets during the projected period in an orderly manner.

Actual overheads analysis

Overhead analysis from 1 January 2018 to 31 December 2018				
€m	Notes	Actual	Budget	Variance
Staff costs				
Salaries		0.2	0.2	0.0
Contractors costs	1	0.8	0.9	0.1
		1.0	1.1	0.1
Administrative costs				
Legal and professional	2	16.8	15.2	(1.6)
Computer expense		4.4	4.3	(0.1)
Insurance		0.7	0.8	0.1
Other		0.1	0.1	0.0
		22.1	20.4	(1.7)
Premises costs				
Rent and rates		1.1	1.2	0.0
Other occupational costs		0.3	0.3	0.0
		1.5	1.5	0.0
Total before SL related costs		24.6	23.0	(1.6)

Source: IBRC in SL management accounts

Notes

The table above details the general overhead costs of IBRC in SL for the period from 1 January 2018 to 31 December 2018. The principal matters to highlight are as follows:

- 1 Contractor costs were €100k lower than forecast as the interest overcharge remediation project was placed on hold for the majority of the year pending the outcome of a Court application by third parties who acquired loans from IBRC. A settlement agreement was reached in December 2018 and this project has recommenced.
- 2 Legal and professional fees are €16.8 million with the majority of expenditure on the Quinn litigation, ongoing legacy litigation and general legal workload.

KPMG: workstream structure (1)

The table below details the nature and scope of the work streams that comprise the SL engagement

Special Liquidation – KPMG work streams	
Work stream	Scope of work
Loan Management	<ul style="list-style-type: none"> ■ Management of remaining loan portfolios. ■ Deleveraging of the loan book (other than through loan sales) in an appropriate manner and in line with SL Guidelines. ■ Developing an appropriate plan to wind down the Loan Management function in a controlled manner as deleveraging is completed.
Finance, Deposits, Regulatory and compliance and operations	<ul style="list-style-type: none"> ■ Preparation of internal and external financial and regulatory reporting. ■ Liquidity and Foreign Exchange risk management. ■ Effective unwind of balance sheet assets not included in the Asset Realisation workstream and development of a value realisation strategy for the subsidiaries and joint ventures interests. ■ Administration and oversight of the DGS and ELG scheme. ■ Liaising with relevant regulatory bodies and ensuring IBRC in SL is compliant with all regulatory and compliance requirements. ■ Ensuring appropriate governance structures are in place in accordance with CBI guidelines. ■ Manage creditor adjudication process. ■ Payment of the final unsecured creditor dividends of 50% to admitted unsecured creditors. This payment means that the total announced dividend to admitted unsecured creditors is 100%. ■ Maintaining compliance with Central Credit Register submission regulations and monthly reporting requirements.
Legal	<ul style="list-style-type: none"> ■ Deal with legal issues arising in the course of the liquidation of IBRC including legacy issues. ■ Management of legal proceedings involving IBRC, both as a defendant and as plaintiff through recovery and enforcement actions. ■ Dealing with CBI/ODCE/DPP disclosure requests and provision of documentation in the context of Inquiries/criminal investigations/prosecutions. ■ Addressing regulatory queries and advising in relation to compliance with Court Directions issued to the SLs. ■ Advising Unsecured creditor desk concerning its adjudication process. ■ Liaising with SMU Team concerning, inter alia, FSPO complaints; DSARs, security discharges and other issues/complaints raised by former borrowers. ■ Preparation and submission of monthly Legacy reports to DOF. ■ Liaising with insurers in respect of notification, renewal and recovery under various insurance policies.
HR/IT/Facilities	<ul style="list-style-type: none"> ■ Management of all HR and employee matters. ■ This workstream is also responsible for IT, Property, Facilities and the overall Project Management Office.
Deal team	<ul style="list-style-type: none"> ■ Address post completion queries. ■ File review and collation of key sales documentation for all concluded sale projects. ■ Sale of other remaining assets.

KPMG: workstream structure (2)

The table below details the nature and scope of the work streams that comprise the SL engagement

Special Liquidation – KPMG work streams	
Work stream	Scope of work
Taxation	<ul style="list-style-type: none"> ■ Effective management of IBRC tax affairs to ensure that: <ul style="list-style-type: none"> – it meets its tax obligations on a timely basis; – tax assets are realised; and – legacy tax issues are addressed.
Interest Overcharging Remediation Project	<ul style="list-style-type: none"> ■ Remediate customer loan accounts that are deemed to have been overcharged interest, as identified by the High Court “Morrissey Case” ruling of October 2014. This includes: <ul style="list-style-type: none"> – Identification of customers that have been potentially overcharged; – Validation of the overcharge and calculation of the overcharge amount; and – Remediation of the customer’s account.
Tracker Mortgage Examination project	<ul style="list-style-type: none"> ■ Review Anglo and INBS loans accounts that are within scope of the TME, following a Notice of Requirement from the CBI to submit information pursuant to Section 22 of the Central Bank (Supervision and Enforcement) Act 2013. This includes: ■ Identification of customers that have been potentially impacted; and ■ Remediation of the customer’s account.
Commission of Investigation	<ul style="list-style-type: none"> ■ To comply with directions issued by the Commission of Investigation. ■ Compiling, collation and production of relevant documents as required under each direction.
eDiscovery	<ul style="list-style-type: none"> ■ Management and support of all Criminal, Civil and Commission of Investigation eDiscovery requests made in IBRC. This would primarily include the following data sources: <ul style="list-style-type: none"> – Hard Copy Data; – File Share Data; – Email Data; and – Voice Data. ■ Responding to DSAR requests in compliance with new GDPR legislation.

Principal legal advisors

The table below details the roles and responsibilities of the principal legal advisors engaged in the SL process for 2018.

Special Liquidation – KPMG work streams		
	ALG	Linklaters
Deal Team	<ul style="list-style-type: none"> ■ Dealing with ad hoc queries raised by purchasers and IBRC in connection with the transfer of security over real estate. ■ Project management team resources. 	<ul style="list-style-type: none"> ■ Advice in relation to ad hoc queries arising in respect of the Rock and Salt portfolios.
Treasury, General Banking, regulatory	<ul style="list-style-type: none"> ■ Ongoing advice on creditor claims regarding senior and subordinated financial bonds. ■ Ongoing swaps and derivatives advice, including in relation to the operation of and the requirements under swaps entered into by IBRC. ■ Ongoing banking and asset management advice. ■ Advice on regulatory matters. 	<ul style="list-style-type: none"> ■ Not applicable.
Deposits and ELG	<ul style="list-style-type: none"> ■ Advice in relation to creditor claims relating to the Deposit Guarantee Scheme and the ELG. ■ Set-off analysis on claims under ELG. 	<ul style="list-style-type: none"> ■ Not applicable.
Legal and litigation	<ul style="list-style-type: none"> ■ Ongoing advice on mis-selling claims. ■ Advising on all legal aspects of the interest overcharging remediation project. ■ Dealing with litigation against SLs. ■ Managing certain existing litigation. ■ Managing and dealing with purchasers in relation to all applications for substitution and all litigation queries arising from sales process. ■ Working with English law advisors on various creditor claims. ■ Advising on dealing with issues connected with the Commission of Investigation. 	<ul style="list-style-type: none"> ■ Assisting with English law aspects of swaps mis-selling claims and related regulatory issues. ■ Assisting ALG with English law aspects of a creditor claim made against IBRC. ■ Advice in respect of the settlement of proceedings brought by IBRC against an ex-customer. ■ Preliminary advice in respect of a letter before claim received by IBRC from two ex-customers.
Advice to SLs on miscellaneous issues	<ul style="list-style-type: none"> ■ Full range of legal advice in relation to various creditor claims. ■ Ongoing advice on foreign recognition. ■ Ongoing advice on IBRC Act and various Ministerial Instructions. 	<ul style="list-style-type: none"> ■ Assisting with ad hoc queries arising in respect of English Law aspects of the Special Liquidation.

Cost management

Cost management

KPMG resourcing reviewed regularly:

- workstream leads monitor workload and capacity. Resourcing amended as required to ensure efficient delivery of workstream to the liquidation;
- monthly review of costs by workstream;
- budgeted costs set for the liquidation process to 30 April 2019;
- reviewed actual against plan and investigated variances; and
- reviewed most efficient method of project delivery.

KPMG reviewed and monitored third party advisor costs:

- certain legal advisors signed up to NAMA rate card and/or fixed cost pieces of work;
- certain other advisors signed up to NAMA rate card;
- certain other advisors engaged following a competitive tender process with fixed fee quotes;
- regular review of third party costs against delivery of process to timeline and budget; and
- review of costs against agreed fixed fees.

KPMG updated DOF regularly:

- reporting includes analysis of time spent by KPMG, ALG and Linklaters;
- report on budgeted costs to 30 April 2019 issued to DOF;
- costs discussed in update meetings with DOF;
- regular fee update reports issued to DOF as required; and
- costs managed and minimised where appropriate through the use of IBRC staff to support the winding up.



Appendices

Summary of Special Liquidation fees by period (to 31 December 2018)

Special liquidation professional and legal fees (gross fees) - by period							
€000	11 month period to 31 Dec 13	12 month period to 31 Dec 14	12 month period to 31 Dec 15	12 month period to 31 Dec 16	12 month period to 31 Dec 17	12 month period to 31 Dec 18	71 month period to 31 Dec 18
KPMG SL team							
Deal and associated activities	16,469	18,673	8,266	3,162	2,879	1,482	50,931
Finance, operations and creditor adjudications	17,968	9,512	6,403	8,884	7,772	4,963	55,502
Regulatory and other required reviews	-	-	6,827	17,309	9,325	517	33,978
Legal and litigation	1,071	688	976	1,569	1,165	997	6,466
Other activities	3,756	3,234	2,067	1,271	676	704	11,708
KPMG SL team total	39,263	32,107	24,539	32,196	21,817	8,664	158,587
KPMG migration	2,458	2,102	-	-	-	-	4,560
ALG	19,545	13,323	2,126	1,834	1,677	1,304	39,809
ALG - Commission work	-	-	213	93	86	43	435
Linklaters	12,613	6,185	432	762	508	99	20,598
Other legal advisors							
Arthur Cox	3,059	2,483	134	8	23	18	5,724
Maples and Calder	1,652	1,065	157	-	-	-	2,874
Skadden, Arps, Slate, Meagher & Flom LLP	941	1,167	528	127	45	469	3,277
Byrne Wallace	2,106	575	39	-	5	4	2,729
RDJ	449	64	-	-	32	-	545
PJ O'Driscoll	130	55	-	-	-	-	185
McCann Fitzgerald	-	-	-	-	106	-	106
Other legal firms	-	-	-	39	221	153	413
Other legal advisors total	8,337	5,408	858	174	433	644	15,854
Professional advisors							
PwC	3,928	1,531	-	-	-	-	5,459
Property valuation fees	3,275	1,228	109	-	57	31	4,700
Valuer A	3,461	284	-	-	-	-	3,745
Merrills	629	684	281	-	1	-	1,594
Savills	739	227	-	-	-	-	966
Goodbody	60	615	-	-	-	-	675
Eastdil	525	6	-	-	-	-	531
Deloitte	288	147	-	-	-	3	438
Other professional advisors	-	-	-	-	85	18	103
Professional advisors total	12,905	4,722	390	-	142	52	18,211
Total (pre rebates agreed)	95,121	63,848	28,557	35,059	24,663	10,806	258,054
KPMG SL team KPIs							
No. of hours	197,852	161,714	129,733	186,912	117,647	42,583	836,441
Annual average FTEs*	120	87	70	100	64	23	77

Notes: (a) The fees represented are exclusive of VAT and disbursements;

(b) Please see slide 36 for information on FX rates used in the above table.

(c) Annual average Full Time Employee (FTE) calculation is shown for indicative purposes and is calculated based on actual number of hours divided by actual working days per month.

Summary of overhead costs by period (to 31 December 2018)

Overhead analysis from date of Special Liquidation - by period							
€m	14 month period to 31 Mar 14	9 month period to 31 Dec 14	12 month period to 31 Dec 15	12 month period to 31 Dec 16	12 month period to 31 Dec 17	12 month period to 31 Dec 18	71 month period to 31 Dec 18
Staff costs							
Salaries	63.3	22.3	9.7	2.1	1.2	0.2	98.8
Pensions	6.3	1.8	0.8	0.1	0.6	-	8.4
Contractors costs	10.6	5.2	2.8	1.8	1.8	0.8	22.9
Liquidation related redundancy costs	-		0.5	0.1	-	-	0.6
Other	0.5	0.3	0.1	0.0	-	-	0.9
	80.7	29.5	13.8	4.2	2.4	1.0	131.7
Administrative costs							
Legal and professional	46.4	29.8	63.4	16.7	15.3	16.8	188.4
Computer expense	13.9	5	3.7	3.4	5.9	4.4	36.3
Insurance	6.3	2.3	0.7	0.7	0.7	0.7	11.4
Other	5.3	2.6	1.0	1.2	0.6	0.1	10.8
	71.9	39.6	68.8	21.9	22.4	22.1	246.9
Premises costs							
Rent and rates	7.2	3.2	1.5	2.2	1.4	1.1	16.7
Other occupational costs	3.7	2	1.0	0.2	0.1	0.3	7.4
	10.9	5.3	2.5	2.4	1.5	1.5	24.0
Other	-0.5	3	0	-	-	-	2.5
Total before SL related costs	163.1	77.4	85.2	28.5	26.4	24.6	405.1

Source: IBRC in SL management accounts, IBRC annual progress reports



The contacts at KPMG in connection with this report are:

Kieran Wallace

Restructuring
Partner, Dublin

Tel: + 353 1 410 1932
kieran.wallace@kpmg.ie

Eamonn Richardson

Restructuring
Partner, Dublin

Tel: + 353 1 410 1344
eamonn.richardson@kpmg.ie