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Dormant Assets Review

Identifying potential additional dormant assets

18 December 2019

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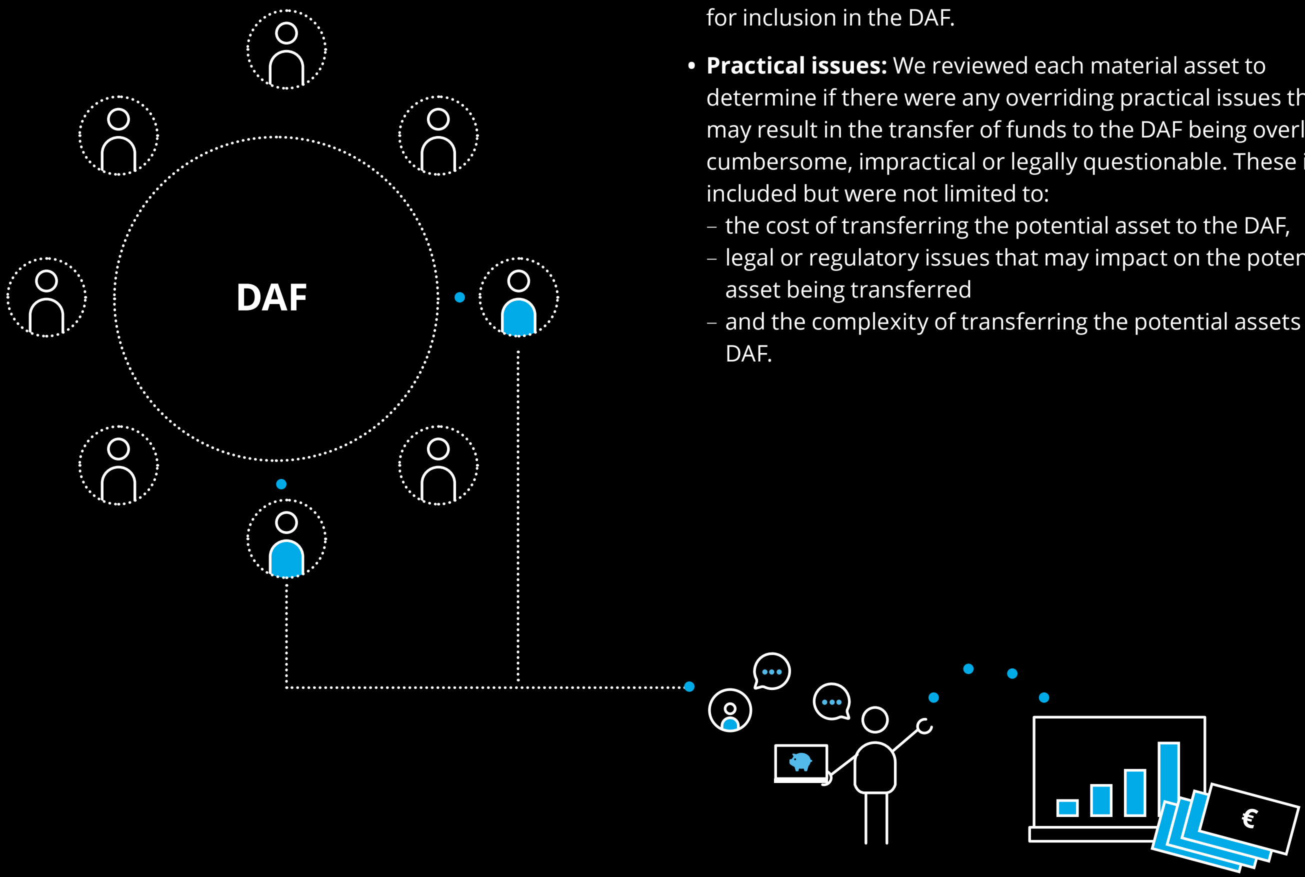
Background to the Dormant Accounts Fund and this study

The Dormant Accounts Fund ("DAF") was established by the Dormant Accounts Acts 2001 to 2012 and the Unclaimed Life Assurance Policies Act 2003 ("the DAF Acts"). The primary role of the DAF Acts is to compel regulated institutions to identify the owners of dormant accounts and other assets and make all possible efforts to contact them and reunite them with their accounts. If institutions are unable to identify the owners of these dormant funds, they are transferred to the DAF and used to support specified social causes.

Deloitte has been instructed by the Department of Rural and Community Development ("DRCD") to identify potential additional sources of dormant assets for possible inclusion in an expanded DAF scheme. See Terms of Reference at Appendix 1.

Irish financial institutions, building societies, An Post, insurance and pension providers currently transfer dormant assets to the DAF annually. It is the responsibility of the relevant institution to maintain sufficient records to ensure traceability of the assets transferred in the event of a subsequent beneficial owner reclaim.



Our methodology and approach

As part of this review, we have considered assets in the following industries: banking, credit unions, insurance, pensions, investments and non-financial services assets.

Deloitte has employed the following methodology to identify assets for potential inclusion in the DAF:

- We consulted Deloitte Subject Matter Experts ("the SMEs") for each of the relevant industries outlined above. This provided an initial determination of assets that may be suitable for inclusion in the DAF.
- Deloitte subsequently engaged with Stakeholders from each of the relevant industries ("the Stakeholders") to further assess each asset under specific criteria. A full list of Stakeholders that Deloitte engaged with is available in Section 1 of this report.

All potential assets have been reviewed using the following criteria:

- **Materiality:** An initial assessment was conducted on each asset to determine if there was a material amount of dormant assets available for transfer to the DAF. Deloitte determined an asset to be material if the potential initial transfer value of the dormant assets exceeded €10 million. If the asset was not deemed to be material we determined that it was not suitable for inclusion in the DAF.
- **Practical issues:** We reviewed each material asset to determine if there were any overriding practical issues that may result in the transfer of funds to the DAF being overly cumbersome, impractical or legally questionable. These issues included but were not limited to:
  - the cost of transferring the potential asset to the DAF,
  - legal or regulatory issues that may impact on the potential asset being transferred
  - and the complexity of transferring the potential assets to the DAF.

Recommendation 1:
Additional dormant assets recommended for possible inclusion in Dormant Accounts Fund:

Asset	Est. Initial Transfer Value (€m)	Est. Annual Transfer Value (€m)	Dormancy Period	Time Frame	Comment
1. Uncashed bank drafts	€109	5	5	3-5 years	The initial transfer value is estimated to be a minimum of €109 million, which represents current bank drafts and money orders with a dormancy of greater than 5 years in the larger retail banks in Ireland. The annual transfer value is estimated as a percentage of the initial transfer value as indicated by the relevant Stakeholder(s). The relevant percentage is 5%
2. Defined contribution pension scheme	€60	3	5	3-5 years	The initial transfer value is estimated at a minimum of €60 million, which represents defined contribution funds with a dormancy of greater than 5 years for the larger defined contribution scheme operators in Ireland. The annual transfer value is estimated as a percentage of the initial transfer value as indicated by the relevant Stakeholder(s). The relevant percentage is 5%
3. Unclaimed distributions from the winding-up of an investment fund	€50	2	6	3-5 years	The initial transfer value is estimated at a minimum of €50 million, which represents funds with a dormancy of greater than 6 years for the larger fund administrators operating in Ireland. The annual transfer value is estimated as a percentage of the initial transfer value as indicated by the relevant Stakeholder(s). The relevant percentage is 4%
4. Dormant funds in solicitors' accounts	€35	0.5	15	>5 years	The initial transfer value is estimated at a minimum of€35 million, which represents funds with a dormancy of greater than 15 years held in circa 2,300 solicitors' client accounts in Ireland. The annual transfer value is estimated as a percentage of the initial transfer value as indicated by the relevant Stakeholder(s). The relevant percentage is 1.5%
	€245	**€10.5**			

The following table provides detailed analysis of each potential asset across multiple criteria: transfer timeframe, indicative values (initial transfer value and yearly transfer), period of dormancy, ease of liquidity, restitution, likelihood of asses being reclaimed, legal vehicles in which assets are held, cost of transfer, regulatory and legal implications and data protection/information security.

Asset evaluation criteria:	1. Uncashed bank drafts	2. Defined contribution pension scheme assets
Section reference	Section 2	Section 4
Timeframe for transfer	Medium term	Medium term
Estimated initial transfer value	The initial transfer value is estimated to be a minimum of €109 million, which represents current bank drafts and money orders with a dormancy of greater than 5 years in the larger retail banks in Ireland.	The initial transfer value is estimated at a minimum of €60 million, which represents defined contribution funds with a dormancy of greater than 5 years for the larger defined contribution scheme operators in Ireland.
Further assessment required of initial transfer value	We recommend that Banking Payments Federation of Ireland continue to undertake a review to identify the total quantum of uncashed bank drafts and money orders in existence in all banks operating in Ireland and make the data available.	We recommend that the Pensions Authority continue to undertake a review to identify the total quantum of current dormant defined contribution funds in existence in the larger scheme operators in Ireland and make the data available.
Est. yearly transfer value	€5 million	€3 million
Period of dormancy	The Stakeholders have requested a dormancy period of 5 years.	The relevant period of dormancy would be consistent with other pension assets in the DAF at 5 years.
Ease of liquidity	We understand from discussions with Stakeholders that these assets can be easily liquidated.	
Provision of restitution	We understand from discussions with Stakeholders that the records kept by banks are of a sufficient standard to ensure restitution of any reclaim.	We understand from discussions with Stakeholders that the records kept by pension administrators are of a sufficient standard to ensure restitution of any reclaim. Issues may arise when an administrator ceased to trade and the pension assets are transferred to a new administrator.
Likelihood of asset being re reclaimed	No factors were identified by Deloitte that would increase the likelihood of reclaim over and above any asset.	
The legal vehicles in which assets are held	Funds are held in holdings accounts in the relevant bank. The bank draft is a negotiable instrument with the same legal status as cash.	Various vehicles depending on type of the underlying investment asset.
The cost of transfer	Administration, resource and cost requirements not considered material.	Administration, resource and cost requirements not considered material.
Regulatory and legal implications	Asset inclusion will require legislative change to the DAF Acts and other relevant legislation and regulation.	
Data protection and information security requirements	No additional data protection and information security requirements anticipated.	No additional data protection and information security requirements anticipated.

3. Unclaimed distributions from the winding-up of an investment fund	4. Dormant funds in solicitors' accounts
Section 5	Section 6
Medium term	Long term
The initial transfer value is estimated at a minimum of €50 million, which represents funds with a dormancy of greater than 6 years for the larger fund administrators operating in Ireland.	The initial transfer value is estimated at a minimum of €35 million, which represents funds with a dormancy of greater than 15 years held in circa 2,300 solicitors' client accounts in Ireland.
We recommend that Irish Funds continue to undertake a review to identify the total quantum of unclaimed distributions from the winding up of investment funds within its remaining 19 members in Ireland and make the data available.	None noted.
€2 million	€0.5 million
The Stakeholders have requested a dormancy period of 6 years.	The relevant period of dormancy would be consistent with existing DAF account assets at 15 years.
We understand from discussions with Stakeholders that fund administrators have proposed that on transfer of the dormant amounts to the DAF, all ownership records will be transferred to the National Treasury Management Agency ("the NTMA") and the NTMA will manage any subsequent restitution claims.	We understand from discussions with Stakeholders that the records kept by solicitors are of a sufficient standard to ensure restitution of any reclaim.
Various vehicles depending on type of underlying investment asset and fund structure.	Funds are held in the individual client accounts of solicitors.
Administration, resource and cost requirements not considered material.	We recommend that the Law Society undertake a review to determine the feasibility of transferring dormant funds from a central body to the DAF in one yearly transfer.
The proposed transfer of personal data from fund administrators to the NTMA requires current clarification between Irish Funds members and the NTMA.	No additional data protection and information security requirements anticipated.

The following assets should continued to be excluded from the DAF as our review concluded that these assets either not of sufficient materiality to warrant further consideration at this time or materiality could not be established as part of our review. We noted that dormant assets included in credit union dormant accounts and unused gift vouchers and gift cards are currently already being utilised for the benefit of the wider community.

Asset class	Report section	Asset class	Report section
Safe deposits	Section 2	Retirement annuity contracts	Section 4
Uncashed insurance claim cheques	Section 4	Unclaimed gambling winnings	Section 6
Credit union drafts and money orders	Section 3	Unclaimed prize bonds	Section 6
Credit union members share accounts	Section 3	Unused balances on leap cards	Section 6
Defined benefit schemes	Section 4	Unused gift vouchers and gift cards	Section 6
Approved retirement fund	Section 4	Customer credit balances with utility and telecommunication companies	Section 6

The following assets should continue to be excluded from the DAF as our review concluded that there is limited or no potential for unidentified asset owners, and therefore dormancy, within the administration of the assets.

Asset class	Report section	Asset class	Report section
Pension annuities	Section 4	Term life insurance	Section 4
State pension schemes	Section 4	Unclaimed tax refunds	Section 6
State single schemes	Section 4	Assets Seized by the Criminal Assets Bureau ("CAB")	Section 6

Chapter 1: Background

Chapter 1: Background

Background to this report

1.1 The Dormant Accounts Fund (DAF) is a statutory fund established by the Dormant Accounts Acts 2001- 2012 and the Unclaimed Life Assurance Policies Act 2003.

1.2 Its primary purpose is to compel financial institutions to identify owners of dormant accounts and make all possible efforts to contact them with a view to reuniting them with their accounts.

1.3 The legislation also provide a scheme for the disbursement of funds (using assets that have been transferred to the DAF) to support:
- the personal and social development of persons who are economically or socially disadvantaged;
- the educational development of persons who are educationally disadvantaged; and
- persons with a disability (within the meaning of the Equal Status Act 2000)

1.4 The legislation currently identifies unclaimed funds from dormant accounts in banks, building societies, An Post and the net encashment value of certain life assurance policies. The transfer of unclaimed funds takes place on the basis that the beneficial owner has a guaranteed right of reclaim to their property at any time.

1.5 The Department of Rural and Community Development was established in 2017 to facilitate economic development in rural areas through a range of programmes, and to support communities, in urban and rural areas, to become sustainable and desirable places to live, work and raise families.

1.6 The Government approves measures and projects to which funding may be disbursed under the DAF, with the Minister for Rural and Community Development being responsible for the processes underpinning the Fund.

1.7 DRCD prepares a three year DAF Disbursement Scheme that sets out the measures to be implemented under the Fund, and an annual Action Plan to give effect to the scheme.

1.8 The National Treasury Management Agency is responsible for establishing, managing and controlling the administrative functions of the DAF.

1.9 Deloitte has been instructed by the DRCD to identify potential additional sources of dormant assets for possible inclusion in the DAF within a medium and long-term time frame.

1.10 To enable an expanded DAF scheme to function, legislative changes will be necessary to allow for the receipt of a broader range of assets.

1.11 Irish financial institutions, building societies, An Post, insurance providers and pension providers transfer dormant assets to the DAF on or before 30 April each year. It is the responsibility of the relevant institution to maintain sufficient records to ensure traceability of the transfer in the event of a subsequent beneficial owner reclaim.

1.12 It is also the responsibility of the relevant institution to comply with data privacy legislation in Ireland, and in particular the Data Protection Act 2018 ("DPA 2018").

Use of the DAF

1.13 The Dormant Accounts Disbursement Scheme outlines how funds are to be allocated, and which disadvantaged groups should be included in the action plan.

1.14 The DAF consists of a Reserve Account from which reclaims and various expenses are paid and an Investment and Disbursements Account from which investments and disbursements are made.

1.15 As at November 2019, the DAF had a balance of €323 million which includes a reserve fund of €96 million. Commitments made in Dormant Accounts Action Plans total €60 million. The amount of uncommitted funds at the end of November 2019 was €167 million.

1.16 The Minister publishes the DAF Action Plan on an annual basis, highlighting the specific projects that will be eligible to receive funding from the DAF, and the maximum amount of funding available. The 2020 DAF Action Plan allocates funding of €45.5 million to 43 measures to be delivered across 9 Government Departments.

1.17 The following guiding principles inform the selection process for DAF projects:

Discrete projects	Grants should not substitute government spending.
Sustainability	Projects must be sustainable and exhibit local support.
Compatibility with Government policy	Projects must address government priorities regarding social, economic and educational disadvantage.
Impact	Projects must enhance quality of life for disadvantaged people.
Philanthropy and Corporate Social Responsibility ("CSR")	Grants which attract philanthropic/ CSR support are considered under three headings: Social and Economic Disadvantage; Educational Disadvantage; and Disability Projects and Programmes.
Value for money	Projects should be carefully selected to obtain value for grants given.
Evidence of need	Grants should only be provided to projects that demonstrate a need for financial support.

Deloitte approach and methodology

1.18 We conducted our study between September and November 2019. As part of our work we have consulted with Deloitte SMEs in the areas of banking, credit unions, insurance, pensions and investments. We have also engaged with and received representations from Stakeholders in the relevant industries ("the Stakeholders").

1.19 Deloitte has reviewed potential assets from the banking, credit union, insurance and pensions and investment industries, as well as a range of non-financial services assets.

1.20 The following represents the asset classes that we have reviewed and the Stakeholders who have engaged with Deloitte as part of our review:

Asset class	Industry	Stakeholders	Report section
Safe deposits	Banking	• Department of Finance ("DoF") • Banking & Payments Federation of Ireland ("BPFI") • The Central Bank of Ireland ("CBI")	Section 2
Bank drafts and money orders	Banking	• BPFI • CBI	Section 2
Credit union members share accounts	Credit Unions	• Irish League of Credit Unions ("ILCU") • Credit Union Development Association ("CUDA") • CBI	Section 3
Credit union drafts and money orders	Credit Unions	• ILCU • CUDA • CBI	Section 3
Term life insurance	Insurance	• Insurance Ireland • CBI	Section 4
Uncashed insurance claim cheques	Insurance	• Insurance Ireland • CBI	Section 4
Defined contribution schemes	Pensions	• Insurance Ireland • CBI	Section 4
Retirement annuity contracts	Pensions	• The Pensions Authority • CBI	Section 4
Defined benefit schemes	Pensions	• The Pensions Authority • CBI	Section 4
Approved retirement fund	Pensions	• The Pensions Authority • CBI	Section 4
State pension schemes	Pensions	• The Pensions Authority • CBI	Section 4
Pension annuities	Pensions	• The Pensions Authority • CBI	Section 4
Approved minimum retirement funds	Pensions	• The Pensions Authority • CBI	Section 4
Distributions from the winding up of a fund or sub-fund	Investments	• Irish Funds • Irish Association of Investment Managers ("IAIM") • CBI	Section 5
Dormant client accounts held by solicitors	Non-financial services assets	• The Law Society of Ireland ("The Law Society")	Section 6
Unclaimed tax refunds	Non-financial services assets	• The Revenue	Section 6

Asset class	Industry	Stakeholders	Report section
Unclaimed gambling winnings	Non-financial services assets	• Irish Bookmakers Association ("IBA")	Section 6
Assets Seized by the Criminal Assets	Non-financial services assets	• CAB	Section 6
Bureau ("CAB")	Non-financial services assets	• National Transport Authority ("NTA")	Section 6
Unused balances on leap cards	Non-financial services assets	• Research only	Section 6
Unclaimed prize bonds	Non-financial services assets	• Research only	Section 6
Unused gift vouchers and gift cards	Non-financial services assets	• Research only	Section 6

1.21 Each potential asset identified by the Deloitte SMEs and Stakeholders has been reviewed to establish whether they are of sufficient materiality to warrant inclusion in an expanded DAF. All asset classes, where the potential initial and ongoing annual transfer value exceeds €10 million have been considered material for the purposes of this review.

1.22 Where an asset has been deemed material, we subsequently assessed the asset using the following criteria in the relevant sections of this report. Where an asset was not deemed material, we did not consider the remaining evaluation criteria.

Criteria	Definition
Period of dormancy	The relevant period of dormancy that has to elapse prior to asset transfer.
Ease of liquidity	The degree to which an asset could be converted to cash with ease.
Provision of restitution	The records kept for an asset should be of sufficient standard to ensure that restitution can be provided.
Likelihood of asset being reclaimed	The potential for the beneficial owner or next of kin to seek to reclaim of an asset that had been transferred to the DAF.
The legal vehicles in which assets are held	The structure in which the relevant assets are held and the rights of users pursuant to the relevant structure.
The cost of transfer	The relevant costs associated with transferring an asset to the DAF.
Regulatory or legal implications	The need for change to existing regulations and/or legislation relevant to the asset to allow for inclusion of the asset.
Data protection and information security requirements	Consideration of data protection and information security associated with the inclusion of the asset in the DAF.

Joint Committee on Community and Rural Development

1.23 The Joint Committee of Rural and Community Development shadows the DRCD. As part of its remit, the Joint Committee considers issues such as policy, expenditure, and administration of the Department. On 6 March 2019 the Joint Committee invited DRCD officials to discuss the topic of *"Abandoned safety deposit boxes, and the law"*. In view of the Joint Committee's interest in this matter, the Minister suggested that the Joint Committee might, in light of this study, to meet with Deloitte to discuss issues arising. We met with the Joint Committee and views of the Joint Committee in relation to safe deposits are set out in Chapter 2.

Administration of the DAF

1.24 Under the DAF Acts, the NTMA is responsible for establishing, managing and controlling the DAF. The ongoing functions of NTMA regarding the DAF include:

- The making of disbursements in accordance with the directions of the DRCD.
- The maintenance of the Reserve Account.
- The payment of the specified fees, costs and expenses incurred.
- The payment of the remuneration, fees and expenses of the authorised inspectors.
- The repayment of monies transferred to the DAF to beneficial owners.
- The preparation of the DAF Investment Plan, having regard to any direction from the Minister.
- The investment of any monies in the DAF that are not required for the purpose of meeting the liabilities of the DAF.
- The keeping of adequate accounting records of all monies received and expended from the DAF.

1.25 The NTMA confirmed that there is typically a material inflow of assets to the DAF in April each year from the relevant institutions and that it receives on average of eight restitution reclaims each week, which it assesses and reports on.

Chapter 2: Banking and safe deposits

Chapter 2: Banking and safe deposits

Summary of this chapter

Current scheme
Under the current scheme, the DAF Acts consider a deposit, share or current account in a bank or building society as dormant if no transactions have been made by the account holder for 15 years or more. Such balances are transferred to the DAF on an annual basis by banks and building societies registered in Ireland.

Expansion of the DAF
Deloitte reviewed a range of banking assets for inclusion in an expanded DAF, including: bank drafts, money orders, safe deposits, uncashed travellers cheques, unclaimed funds from restitution projects and suspense account balances.

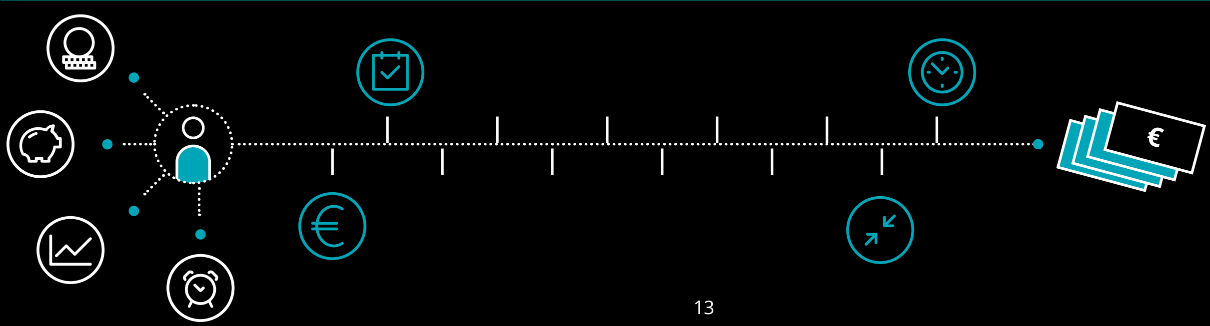
We held meetings with the representative Stakeholders for the banking industry: CBI, BPFI, and NTMA and also met with the Joint Committee on Rural and Community Development which shadows DRCD.

Recommendations

- We recommend that uncashed bank drafts and money orders be included in an expanded DAF in the medium term. This asset is sufficiently material to warrant the transfer to the DAF and no debilitating legal or practical issues were identified as part of our review. The initial transfer value is estimated to be a minimum of €109 million, which represents current bank drafts and money orders with a dormancy of greater than 5 years for the larger retail banks in Ireland.
- Deloitte understands that the amount of recurring annual transfers will not be considered material for the purposes of this review and will likely be in the region of circa €5 million per annum.
- We recommend that a dormancy period of 5 years be applied to uncashed bank drafts and money based on our discussions with the Stakeholders and the conclusion that the majority of issued drafts and money orders are cashed within this timeframe.
- We recommend that BPFI continue to undertake a review to identify the total quantum of uncashed bank drafts and money orders in existence in all retail banks operating in Ireland and make the data available.
- We recommend that safe deposits continue to be excluded from the DAF due to the lack of clarity regarding the materiality of the asset and the complexity of the legal and practical implications of opening dormant safe deposits.
- We recommend that uncashed travellers cheques, unclaimed funds from restitution projects and suspense account balances continue to be excluded from the DAF, as our review concluded that these assets are not of sufficient materiality to warrant further consideration at this time.

Key challenges and opportunities
The operational cost for banks for the inclusion of uncashed bank draft and money orders in an expanded scheme is a potential challenge, however the cost impact should be limited given the level of systems already in place to make the annual return of other assets included in the DAF.

Given that bank drafts and money orders currently do not have an expiry date, we suggest that a public awareness campaign is conducted by the banking industry to inform the public that dormant bank drafts will transferred to the DAF within a specific time period if they are not claimed.



Detailed review

Industry review

2.1 A credit institution or a bank in Ireland is defined as: (a) an undertaking whose business is to receive deposits or other repayable funds from the public and to grant credits for its own account, or (b) an electronic money institution. A bank operating in Ireland is required to be authorised to operate by the CBI under Section 9 of the Central Bank Act 1971. Historically the CBI has had overall responsibility for the authorisation and supervision of credit institutions operating in Ireland. As a result of the commencement of the Single Supervisory Mechanism ("SSM") on 4 November 2014, the European Central Bank became the competent authority for banking supervision.

2.2 Irish bank balance sheet assets totalled almost €600 billion at the end of 2018, according to European Banking Federation ("EBF") data. The Irish government has majority stakes in two residential banks in Ireland and a minority stake in another. As per EBF data, there were 61 banks operating in Ireland at the end of 2018. These included 24 credit institutions authorised in Ireland, 36 branches of banks authorised in other European Economic Area countries that were operating in Ireland and one branch of a non-European Economic Area credit institution operating in Ireland.

2.3 20 of the banks are headquartered in Ireland or have more than 20% of their business with Irish domestic customers.

2.4 At the end of 2018, the level of deposits with private households was circa €98.1 billion, deposits of Irish resident private-sector enterprises was €58 billion. An Post managed a further €20.6 billion in national savings schemes and post office savings accounts.

Assets currently included in DAF

2.5 The DAF Acts currently consider a deposit, share or current account in a bank or building society dormant if no transactions have been made by the account holder for 15 years or more. This includes foreign currency accounts and prepayments on credit cards. If the ultimate beneficial owner of the account is not known to the relevant bank or building society, the funds are transferred to the DAF. Deloitte understands that all financial institutions apply the same approach in transferring funds to the DAF. There are no discrepancies in the types of assets that are transferred to the DAF.

2.6 There is no minimum threshold for the transfer of funds of dormant funds to the DAF. The DAF Acts state that where an amount in an account is less than €100, the beneficial owner does not have to be personally notified. In place of a personal notification, the institution shall publish a notification in two newspapers circulating in the state. Assuming there are no transactions on the account, these funds under €100 are transferred to the DAF.

Assets considered for inclusion in an expanded DAF

2.7 In this section we have considered five assets for inclusion in an expanded DAF:

1. Uncashed bank drafts and money orders

Evaluation criteria	
Asset description	Bank drafts and money orders refer to cheques that are drawn on a bank's funds and therefore provide added security to the payee. Once the bank draft or money order is drawn, the funds are transferred from the customer's account to a holding account in the bank. Bank drafts are a negotiable instrument and have the same legal status as cash.
Materiality assessment	BPFI undertook a survey of four of the largest retail banks operating in Ireland to determine the quantum of bank drafts and money orders currently held by each bank for 5 years or more. The combined banks estimate that there are 348,700 uncashed drafts with a dormancy of greater than 5 years and an estimated value of €109 million. Deloitte understands that the amount of recurring annual transfers would not be material and will likely be in the region of 5% of the initial transfer value or circa €5 million per annum.
Practical issues for consideration	**Confirming the population:** Deloitte understands from discussions with Stakeholders that financial institutions do not have a central registry of uncashed bank drafts. Therefore identification and quantification of bank drafts will be conducted at branch level which will place a burden on branch staff. Although this is a consideration, Deloitte understands that this is not an overly burdensome exercise. **Aging:** Deloitte understands that there may be issues in identifying the aging of some bank drafts. The inventory of many drafts is recorded manually at each branch of each bank. This may make it difficult to ascertain if a bank draft has met the required period of dormancy under the DAF Acts. **Cost of transfer:** The cost of transfer will be predominantly a result of increased administration burden on individual bank branches in order to identify the ageing of the relevant funds and to create and automated inventory to facilitate centralised tracking. **Lack of expiry date:** Deloitte understand that bank drafts and money orders currently do not have an expiry date. Consideration is required as to the implications should a customer present a draft for lodgement or encashment at a date after funds have been transferred to the DAF. A change in banking practice may need to be implemented to introduce an expiry date to enable funds to be transferred to the DAF. A public awareness campaign should be undertaken by the banking industry on the transfer of bank drafts and money orders to the DAF, to ensure every opportunity for current holders to come forward.
Recommendation	**Deloitte recommends that this asset should be included in an expanded DAF in the medium term. Deloitte suggests that public awareness campaign is conducted to inform the public that dormant bank drafts will transferred to the DAF within specific time period if they are not claimed.**

2. Safe deposits

Evaluation criteria	
Asset description	A box, container or other open or sealed packages usually stored in bank vaults on behalf of an individual. From our discussions with Stakeholders, we note that financial institutions are withdrawing or have already withdrawn this service and are requesting that customers remove these items. This is driven by a combination of reduction in customer demand and EU anti-money-laundering legislation.
Materiality assessment	A materiality assessment of safety deposits cannot be undertaken without opening a large proportion of the deposits. Therefore we have been unable to determine an estimation of the materiality of this asset as part of this review. We note that under advisement of legal counsel, one bank conducted an exercise of opening 100 safety deposits belonging to deceased customers with no identifiable next of kin. The contents of the boxes contained a broad range of items including old currencies, title deeds, savings certificates, death certificates, marriage certificates, wills, personal correspondences, keys, photographs and one item of jewellery. None of the items were valuable.
Practical issues for consideration	**Legal issues:** In 2003, the DoF assessed the viability of the inclusion of safe deposit boxes in the DAF. Public records pertaining to this assessment note that the inclusion of this type of asset became such a legal constitutional quagmire that they decided to omit it and progress the legislation. Legal issues concerning the opening of safety boxes include potential breach of the Right to Private Property, potential breach of the Right to Privacy, potential breach of Contract and consideration of the Law of Bailment in Ireland. **Branch level management:** Management of safe deposit items is at branch level where the items are held and there is no central register of beneficial owners or log of content. Therefore, there is a considerable logistical challenge associated with itemising and repatriating items to the State and the subsequent review, management and possible sale of same. **Current legislation:** There is currently no specific legislation or applicable regulation governing the maintenance of safe deposits in Ireland. There is no obligation on financial institutions to identify abandoned safe deposit boxes, or to attempt to contact the beneficial owners. The Fifth Money Laundering Directive ("5MLD") will be transposed into Irish law by 10 January 2020. The Government published Heads of Bill and approved the drafting of the Criminal Justice (Money Laundering and Terrorist Financing) (Amendment) Bill ("the Criminal Justice Bill") on 3 January 2019 to facilitate the transposition of 5MLD into Irish Law. 5MLD addresses the use of safe deposits by prohibiting financial institutions keeping anonymous safe deposit boxes and by requiring Member States to set up centralised automated mechanisms allowing the identification of holders of safe deposit boxes, and their beneficial owners. 5MLD also requires that the owners and beneficiaries of existing anonymous safe deposit boxes be subject to customer due diligence measures no later than 10 January 2019.

Evaluation criteria	
	Further considerations noted as part of our review: – Deloitte understands that ownership records for older assets are non- existent or insufficient to identify beneficial owners. – Given the age and likely poor condition of many of the assets, specialists may be needed to open and value said assets. – Damage caused to the assets while cataloguing and transferring the assets under State instruction may make the State liable for compensation. – Increase in the cost of administration of the assets given that they will likely comprise multiple non-financial assets, which will need to be carefully handled, valued and stored. – Risk that if the State were to sell unique assets that they would be unable to subsequently replace the asset or satisfy the affected person with adequate compensation if so requested. – Cost of storing and maintaining the assets to the State if they assume ownership outside of the DAF.
Recommendation	**We recommend that safe deposits continue to be excluded from the DAF due to the lack of clarity regarding the materiality of the asset and the complexity of the legal and practical implications of opening dormant safe deposits.**

Views of the Joint Committee: The Joint Committee on Rural and Community Development advised us that they intend to propose new legislation to address what they believe to be a significant level of abandoned safe deposits in Irish financial institutions.
The Joint Committee has received legal advice based on current legislation and case law in Ireland, which they believe legally supports the following proposed approach to be included in the proposed legislation.

It is proposed that safe deposits should be opened on a phased basis commencing with the oldest boxes. Where there are sufficient records to identify the beneficial owner, the bank should make the required contact and return the contents and relevant assets. Where the beneficial owner cannot be determined, the contents of safe deposits should be treated as follows: For all other assets not of historical value, monetary assets identified through the opening of safe deposits will be liquidated through a sale at auction process and transferred to the DAF.

- If the property is of historical value, the asset should be transferred to the appropriate State institution under the National Monuments Act, 1930 (As Amended). Any non-monetary asset of historical or cultural significance can be displayed publically.
- There is no requirement for the liquidation of non-monetary assets, and where it is economically advantageous to do so, the State may retain the assets.
- If the assets are of no commercial value, they may be destroyed by the State after seven years.
- In cases of claims for restitution and repayment, the owner shall be repaid the monetary value of the asset at the date of auction, plus a form of accrued interest.

3. Uncashed travellers cheques

Evaluation criteria	
Asset description	Travellers cheques are fixed amount cheques which allow payments across currencies. Travellers cheques are pre-purchased by the customer and are treated as local currency by retailers. Once the travellers cheques are purchased, the funds are transferred from the customers account to a holding account in the bank. Travellers cheques are underwritten by a third party who guarantees the funds in the foreign country. We understand that travellers cheques are no longer offered by banks.
Materiality assessment	From our discussions with the Stakeholders we understand that uncashed travellers cheques are not a material asset due to the decline in their use over the past 10 years.
Recommendation	**As this asset is not deemed material, we recommend that this asset continue to be excluded from the DAF.**

4. Unclaimed funds from restitution projects

Evaluation criteria	
Asset description	This asset refers to unclaimed funds that are due back to customers following a programme of remediation implemented by a bank. We understand that these funds would be unclaimed if a customer previously had an account with a bank that has been closed and the bank is unable to contact the customer.
Materiality assessment	CBI provides guidance on the treatment of unclaimed funds from restitution projects and we understand that banks have the option to transfer unclaimed funds to a charitable cause after they have exhausted all efforts to contact the customer. Based on our Stakeholder discussions we understand that this asset is not currently considered material.
Recommendation	**As this asset is not deemed material, we recommend that this asset continue to be excluded from the DAF.**

5. Suspense account balances

Evaluation criteria	
Asset description	Banks and building societies use suspense accounts as a housing for funds that are unallocated on a short term basis. They are often used to facilitate transfers to and from other accounts.
Materiality assessment	Balances in suspense accounts are not a relevant asset to include in the DAF as they are used on a short-term basis. Consequently, funds will not reside in a suspense account for long enough to become dormant.
Recommendation	**As this asset is not deemed material, we recommend that this asset continue to be excluded from the DAF.**

Chapter 3: Credit Unions

Chapter 3: Credit Unions

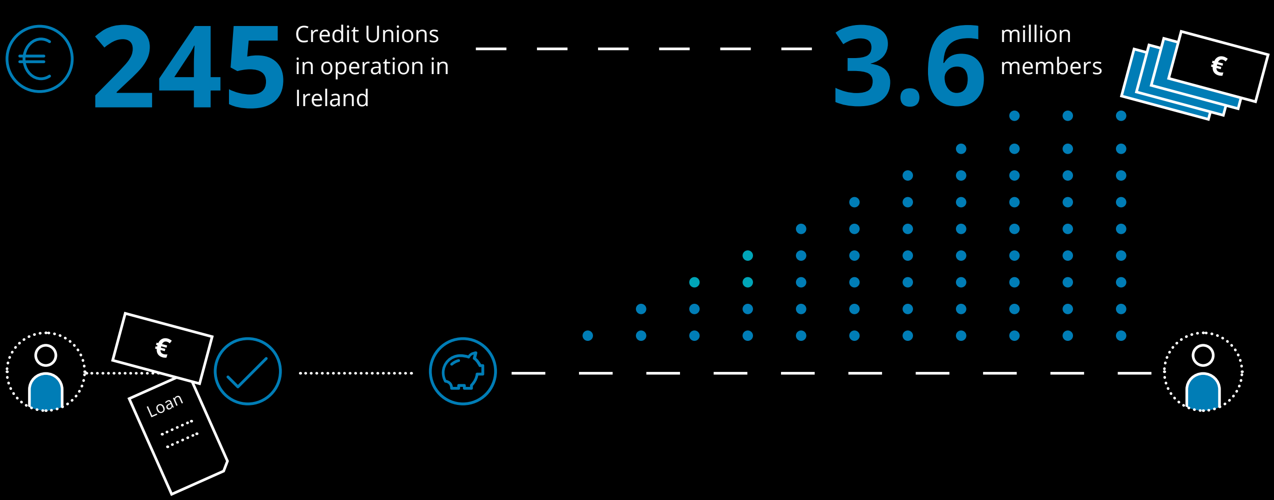
Summary of this chapter

Current scheme
Credit Unions' assets are not currently included in the DAF.

Expansion of the DAF
Deloitte reviewed a range of banking assets for inclusion in an Deloitte has considered members share accounts and uncashed drafts and money orders as potential assets for inclusion in an expanded DAF. We held meetings with the representative Stakeholders for the Credit Union industry: CBI, ILCU and CUDA.

Recommendations

- Deloitte recommends that dormant funds in members' share accounts continue to be excluded from the DAF. Due to the complexity in transferring dormant assets from individual credit unions to the DAF, this asset is not currently suitable for transfer to the DAF.
- We recommend that dormant funds continue to be transferred to the balance sheet reserves of each credit union and retained for the benefit of the members. Members will continue to have a perpetual right to reclaim the funds that are deemed to be dormant.
- We recommend that unclaimed drafts and money orders continue to be excluded from the DAF, as our review concluded that these assets are not of sufficient materiality to warrant further consideration at this time.



Detailed review

Industry review

3.1 As at 30 June 2019, there are 245 individual credit unions operating in Ireland that serve 3.6 million members. Credit unions are not-for-profit, member-owned financial institutions that offer savings and loan facilities. Credit unions are run for the benefit of their members and any surpluses in a given year are redistributed to the members in the form of dividends or interest rebates or transferred to the reserves of the credit union.

3.2 Credit unions are regulated and supervised by the CBI as prescribed under the Credit Union Act, 1997. Each credit union is an individual corporate entity that designs and implements specific policies and procedures in order to best meet the needs of their members.

3.3 From our discussions with Stakeholders we understand that many members use the credit union as their sole form of savings. This is particularly relevant to elderly members who have no other banking relationships. Credit unions provide a social benefit to the community by providing more personalised banking services than would otherwise be available through a conventional bank.

3.4 Each credit union keeps the relevant records of each deposit account to allow for the identification of the beneficial owner of the funds. Dormant accounts in credit unions, and the practices surrounding them, are governed by Rule 22 of the Standard Rules for Credit Unions published by the Irish League of Credit Unions. Under Rule 22,Dormant accounts are classified as any account which has no member generated transaction in the last 3 years transactions on the account.

3.5 According to the CBI, the quantum of total savings on deposit in credit unions in Ireland was €15.2 billion as at 30 June 2019. This represents approximately 8% of all household deposits in Ireland. Credit unions were originally excluded from the remit of the DAF. From our discussions with Stakeholders we understand that this was mainly due to the objectives and ethos of credit unions. Credit Unions are not for profit, work for mutual benefit of members and work to enhance the well-being and spirit of members' community.

3.6 It was also believed that the administrative burden on credit unions to transfer dormant accounts to the DAF would be too cumbersome for some credit unions to undertake.

Assets considered for inclusion in an expanded DAF

3.7 In this section we have considered two assets for inclusion in an expanded DAF.

1. Members' share accounts

Evaluation criteria	
Asset description	Cash deposits on hand with credit unions held in members' share accounts.
Materiality assessment	In order to quantify the materiality of dormant funds in members' share accounts, Deloitte requested ILCU and CUDA to contact a sample of their members in order to quantify the amount of funds they currently hold that have been dormant for 15 years. As at the date of this report we have not received a response to our request from ILCU or CUDA. As the individual financial statements for each credit union do not report a dormant fund balance, we have calculated a conservative estimate of the initial transfer value of dormant funds as a percentage of the total funds on deposit in credit unions in Ireland as at 31 December 2018. Based on the initial percentage transfer from retail banks to the DAF in 2003, a transfer rate of 8% is comparable. Therefore we estimate that dormant funds in credit unions in Ireland as at 31 December 2018 was in the region of €16 million. We have set out below some issues noted regarding materiality as part of discussions held with CBI, ILCU and CUDA: • Each member nominates a beneficiary that will receive funds on the death of the member. Due to this process, funds that may ordinarily have become dormant transfer to the beneficiary and therefore are not available to be included in the DAF; and • The Credit Union Act 1997 (Regulatory Requirements) Regulations 2016 states that a credit union shall ensure that no member shall have total savings, which exceed €100,000. In practice, each credit union can dictate their own limit and many credit unions apply a limit significantly lower than €100,000. Deloitte understand that in certain instances, members withdrew funds and placed them on deposit with mainstream financial institutions. These limits may reduce the monetary value of any dormant funds held in credit unions.
Practical issues for consideration	**Membership:** When an individual joins a credit union they become a member. All savings are deemed to be shares in the credit union and the shares provide certain rights to the member such as loan eligibility and life assurance. If credit union funds are included within the remit of the DAF this may impact share rights. Furthermore credit unions require members to hold a minimum share balance. The amount is stipulated by each credit union and in many cases is determined by Registered Rules. If all a member's shares were transferred to the DAF, this would have the effect of extinguishing their membership rights. **Current mechanism to deal with dormant accounts:** Currently each credit union defines dormancy in accordance with their own policies. From our discussions with Stakeholders, funds in credit unions are generally deemed dormant if there is no customer generated transactions in the previous 3 to 6 years. When funds are deemed dormant they are taken to the credit union's reserve account. Members have a perpetual right to reclaim the funds that are deemed to be dormant.

Evaluation criteria	
	Objectives of credit unions: Section 6 of the Credit Unions Act 1997 states that the objective of credit unions includes that savings must be used for the mutual benefit of members and/or the improvement of the well-being and spirit of the members' community. In this sense it must be considered if transferring funds to the DAF would hinder a credit union in carrying out these objectives. **Timing of reclaim:** Deloitte understand that often members retain funds over a period of up to 20 years in a share account for use in meeting funeral expenses on their death. There could exist a situation where the share account has been transferred to the DAF and on death of a member a nominated beneficiary requests access to the funds at short notice in order to pay the relevant funeral expenses. **Cost of transfer:** As at 30 June 2019 there are 245 credit unions in Ireland. The cost of transfer will be predominantly a result of increased administration burden on individual credit unions. From our discussions with Stakeholders, it is clear that there will not be capacity to make one transfer on behalf of all credit unions as they are all individual legal entities. This would potentially result in a further 245 transfers into the DAF each year.
Recommendation	**Deloitte recommends that dormant funds in members' share accounts continue to be excluded from the DAF. Due to the complexity in transferring dormant assets from individual credit unions to the DAF, this asset is not currently suitable for transfer. Deloitte recommends that dormant funds continue to be transferred to the reserves of credit unions and retained for the benefit of the members.**

2. Uncashed bank drafts and money orders

Evaluation criteria	
Asset description	Money orders and drafts are a form of payment from a member's account. When a money order or draft is drawn, the funds are transferred from the member's account to a holding account in the credit union. When the money order or draft is cashed, the funds are transferred to the payee. Should the money order or draft be left uncashed, the funds may become dormant.
Materiality assessment	From our discussions with Stakeholders, we understand that the number of money orders and drafts drawn in credit unions is negligible and that a number of credit unions no longer offer this service.
Recommendation	**As this asset is not deemed material we recommend that this asset continue to be excluded from the DAF.**

Chapter 4: Pensions and insurance

Chapter 4: Pensions and insurance

Summary of this chapter

Current scheme

Under the current scheme, the DAF Acts consider life assurance policies, Personal Retirement Savings Accounts ("PRSAs"), Person Retirement Bonds, Savings Endowments and Investment Bonds as potential assets for inclusion in the DAF. As per the Unclaimed Life Assurance Policies Act 2003, a life assurance policy is considered dormant if there has been no customer-initiated communication for five years after the date of policy maturity or the date of the company's last communication with the policyholder, whichever is later.

The DAF Acts do not apply to policies that form part of the assets of occupational pension schemes, group health insurance or disability benefit schemes and sponsored superannuation schemes.

Expansion of the DAF

Deloitte reviewed ten insurance and pension assets for inclusion in an expanded DAF including:

- Defined contribution schemes, retirement annuity contracts and defined benefit schemes;
- Term life insurance and uncashed insurance claim cheques;
- State pension schemes and state single schemes;
- Pension annuities, approved retirement funds and approved minimum retirement funds.

We held meetings with the representative Stakeholders for the pensions and insurance industries: CBI, Insurance Ireland and the Pensions Authority.

Recommendations

- We recommend that unclaimed defined contribution pension assets be included in an expanded DAF in the medium term. This asset is sufficiently material to warrant the transfer to the DAF and no debilitating legal or practical issues were identified as part of our review. The initial transfer value is estimated at a minimum of €60 million, which represents defined contribution funds with a dormancy of greater than 5 years for the larger scheme operators in Ireland.
- Deloitte understands that the amount of recurring annual transfers will not be considered material for the purposes of this review, and will likely be in the region of circa €3 million per annum.
- We recommend that the Pension Authority continue to undertake a review to identify the total quantum of current dormant defined contribution funds in existence in all scheme operators in Ireland and make the data available.
- We recommend that uncashed insurance claim cheques, retirement annuity contracts, defined benefit schemes and approved retirement funds, continue to be excluded from the DAF, as our review concluded that these assets are not of sufficient materiality to warrant further consideration at this time.
- We recommend that term life insurance, state pension schemes, state single schemes, pension annuities and approved minimum retirement funds, continue to be excluded from the DAF, as our review concluded there is limited or no potential for "gone away" asset owners, and therefore dormancy, within the administration of the asset.

Key challenges and opportunities

Dormant defined contribution assets are administered by the trustees of the scheme, who are regulated by the Pensions Authority and are bound by the Pensions Act, 1990 ("the Pensions Act"). There will be a requirement to amend the Pensions Act to allow trustees to legally transfer unclaimed funds to the DAF.

Detailed review

Insurance industry review

4.2 The insurance industry generates premium income of over €52 billion per annum from domestic and international customers in Ireland. The Irish insurance industry currently employs more than 28,000 people, both directly and indirectly, with 25% of financial services employees in Ireland working in insurance. Irish insurers hold €303 billion in assets on behalf of their customers, of which €35 billion is invested in Irish infrastructure and Government debt.

4.3 The Insurance Supervision Directorate of CBI supervises insurance and reinsurance undertakings carried out in Ireland. The Irish Revenue collects over €1.6 billion in tax per annum from Irish insurers.

Pensions industry review

4.4 According to the Irish Association of Pension Funds, pension assets under management amount to approximately €100 billion. Ireland operates a multi-tiered pension system with public, employment and private based pension fund options.

4.5 Extensive reformation of pension systems is being carried out at both a national and EU level in order to respond to changing conditions within the industry. The current ratio of workers to pensioners in Ireland is 5:1, and according to the Central Statistics Office this figure is expected to fall to 2:1 by 2050. EU policymakers agreed on a pan-European pension product ("PEPP") in early 2019, which clarifies rules on switching providers and is intended to give customers greater flexibility while still enabling providers to manage investments over the long term.

Insurance and pension assets already in scope of the DAF

4.6 Insurance and pension assets already in the scope of the DAF include life assurance policies, PRSAs, Person Retirement Bonds, Savings Endowments and Investment Bonds.

4.7 Every year, substantial amounts in unclaimed personal pension funds, PRSAs, certain life assurance policies and savings endowments and investment bonds are transferred to the DAF. As per the Unclaimed Life Assurance Policies Act 2003, a life assurance policy is considered dormant if there has been no customer-initiated communication for five years after the date of policy maturity or the date of the company's last communication with the policyholder, whichever is later. The DAF Acts do not apply to policies that form part of the assets of occupational pension schemes, group health insurance or disability benefit schemes and sponsored superannuation schemes.

Assets considered for inclusion in an expanded DAF

Insurance

4.8 In this section we have considered two additional assets for inclusion in the DAF. Deloitte reviewed the insurance assets in conjunction with the Stakeholders and determined that they should not be included in and expanded DAF.

Insurance assets	Rationale for exclusion
1. Term Life Insurance/Assurance A type of life insurance contract between an individual and an authorised insurance company. The individual pays a premium, typically monthly, to the authorised insurance company in exchange for a guaranteed monetary benefit in the event of their death.	The insurance company pools the risk of individuals paying for such products and as such there are no corresponding assets purchased on behalf of the policyholder which can become dormant. Consequently, there is no asset or corresponding quantum to be included in an expanded DAF.
2. Uncashed insurance claim cheques Amounts attaching to claim payment cheques that have been issued by insurance companies but have not been cashed by policyholders.	Deloitte have been informed by Insurance Ireland that claim cheques are issued following a customer initiated interaction, such as filling out a claims form, or at the end of lengthy settlement discussions. Due to these factors, it is not common for claim cheques to remain uncashed. Deloitte conclude that the quantum of potentially dormant assets is immaterial and therefore does not warrant inclusion in the DAF.

Pensions

4.9 In this section we have considered eight additional assets for inclusion in the DAF.

1. Defined Contribution ("DC") schemes

Evaluation criteria	
Asset description	DC schemes are pension schemes where employees' and employers' contributions are both invested and the proceeds are used to buy a pension and/or other benefits at retirement. The value of the ultimate benefits payable from the DC scheme depends on the amount of contributions paid, the investment return achieved less any fees and charges, and the cost of buying the benefits.
Materiality assessment	The Pension Authority conducted a survey of the nine largest DC Scheme operators in the Ireland that account for 90% of all DC assets. Three of the firms have responded at the date of this report. These firms identified all funds that have not been claimed for a period of greater than 5 years after the normal retirement age, being 67. The total quantum representing the three respondents is €44.3 million. Based on the responses received to date, which includes the largest scheme operator holding circa 30% of the market share in Ireland, we estimate that the initial transfer value to be in the region of €60 million. Deloitte understands that the amount of recurring annual transfers will not be considered material for the purposes of this review, and will likely be change to in the region of 5% of the initial transfer value or circa €3 million per annum.

Evaluation criteria	
Practical issues for consideration	**Cost of transfer:** Due to the size of the initial tranche of potential assets, there could be costs incurred in liquidating the investments. **Legal Vehicle/Regulation:** Funds are held in irrevocable trusts which are run by trustees. Any dormant assets will be administered by the trustee. Trustees are bound by the Pensions Act in the way that they handle funds under their remit. Per Section 59 9 (c) Of the Pensions Act. Trustees shall "make arrangements for the payment of the benefits as provided for under the rules of the scheme as they become due". There will be a requirement to amend the Pensions Act to provide Trustees with the ability to transfer unclaimed funds to the DAF. **Change in monetary value of asset:** The value of assets invested in a DC scheme will change with market movements for as long as the scheme continues to exist (and potentially afterwards if they are moved to another retirement investment vehicle). Therefore, the value of the assets which can potentially be reclaimed could be more or less than the value of the assets transferred to the DAF. **Data protection and information security:** There may be data protection issues should providers or administrators of DC schemes cease to operate. As it is the provider that maintains records of the individual with the right to reclaim, a process would be required to transfer such records to another provider or to a central body.
Recommendation	**We recommend that unclaimed defined contribution pension assets be included in an expanded DAF in the medium term. This asset is sufficiently material to warrant transfer to the DAF and no debilitating legal or practical issues were identified as part of our review.** **We recommend that the Pensions Authority continue to undertake a review to identify the total quantum of current dormant defined contribution funds in existence all scheme operators in Ireland and make the data available.**

2. Retirement Annuity Contracts ("RAC")

Evaluation criteria	
Asset description	An RAC operates in a very similar manner to a DC scheme but with elements of the normal RAC rules. The CBI regulates insurance companies and therefore RACs are regulated at an entity level by the CBI from a prudential standpoint. However, at a product level, RACs and, in particular Trust RACs, are regulated by the Pensions Authority.
Materiality assessment	We understand from the Pensions Authority, that there are currently circa €5 billion in assets invested with Trust and non-trust RACs in Ireland. The Pensions Authority estimates that up to 2% or €10 million of RAC assets are potentially dormant assets. The quantum of additional dormant assets in respect of RAC assets on an annual basis is not known but is not thought to be material by the Pensions Authority.
Recommendation	**As this asset is not deemed material, we recommend that this asset continue to be excluded from the DAF.**

3 – 8. Other pension assets

4.10 As part of our review, Deloitte considered the following pension assets in conjunction with the Stakeholders and determined that they should not be considered for inclusion in an expanded DAF.

Pension asset	Rationale for exclusion
Defined benefit ("DB") schemes Under this type of scheme, both the employer and employee contribute to a pension fund with a commitment to a fixed retirement amount. The employer is responsible for making up any shortfall	Assets in a DB pension scheme belong to the scheme, not to any individual member. The trustees of the scheme have the right to manage the assets in any way they deem appropriate to meet the scheme's commitment to pay benefits to members in retirement on earlier death. If a scheme loses contact with a member such that it is unable to pay death or retirement benefits or if it is unable to identify the member's beneficiaries in the case of death pre-retirement, the liability to pay those benefits remains for a specified period only, typically 6 years. The specified period is often included in the scheme rules under contract law. Where the period is not specified explicitly in the scheme rules, it is still recognised by both trustees and pension accountants as generally accepted practice and consequently, after this period the associated liability is extinguished. Trustee discretion is such that they may still decide to pay a benefit at a later date if the beneficial owner comes forward but it is no longer recognised as a liability of the scheme. From our discussions with Stakeholders we understand that this is not a material asset.
State Pension Scheme Under this scheme, people aged 66+ who have sufficient Irish social insurance contributions receive a fixed weekly sum from the Government	The State Pension Scheme does not hold any assets. Benefits are funded by the State as they arise. All liabilities under the State Pension Scheme are funded by the Exchequer.
State Single Scheme This scheme entitles public service employees (hired on or after 1st January 2013) to retirement benefits based on a % of pensionable earnings throughout their career	The State Single Scheme does not hold any assets. Benefits are funded by the State as they arise. All liabilities under the State Pension Scheme are funded by the Exchequer.
Pension annuity An annuity is an insurance product that allows a policyholder to swap their pension savings for a guaranteed regular income that lasts for the rest of their life	The premium paid by the policyholder for the annuity becomes an asset of the insurance company it is purchased from in return for a guaranteed income for the rest of the policyholder's life. Once the annuity has been purchased, there are no assets available to the policyholder to become dormant. The insurance company pools the risk of all annuitants.

Pension asset	Rationale for exclusion
Approved Retirement Fund ("ARF") An ARF is a personal retirement fund whereby users keep their money invested as a lump sum after retirement, with the option to withdraw a regular income	There is a low likelihood of losing contact with the policyholder and their estate/ beneficiary as from age 61, tax is applied to individuals based on a standard level of drawdown. This tax is incurred whether the individual actually reinvests the income or not. Consequently, most ARF policyholders will take a regular income so it is unlikely that the provider will lose contact with them.
Approved Minimum Retirement Fund ("AMRF") An AMRF is a post- retirement investment plan which enables users to continue to invest in their pension fund during retirement and draw down money as required	There is a low likelihood of losing contact with the policyholder and their estate/ beneficiary due to annual statements being issued and that policyholders typically tend to buy ARFs and AMRFs from the same provider. The rationale for ARFs above applies. It is possible that contact will be lost with the policyholders of AMRFs who have not also taken ARFs, or have taken them with different providers. However, policyholders with AMRFs but no ARFS are, by definition, those with small pension assets and therefore not considered material.

Chapter 5: Investments

Chapter 5: Investments

Summary of this chapter

Current scheme
Other than pensions and insurance dormant assets which have been addressed in Section 4, investment assets do not currently fall within the remit of the DAF.

Expansion of the DAF
We held meetings with the representative Stakeholders for Investments industry, CBI, Irish funds and IAIM.

We understand from our discussions with Stakeholders, that the most material dormant assets are held in Funds and in particular within liquidated Funds/ sub-Funds where the fund administrator has not been able to make contact with the investor and unclaimed distributions remain within the Fund. We have considered this type of dormant class of asset only in this chapter. Types of assets which are liquidated and form part of unclaimed distributions include shares, securities, bonds, property, derivatives and financial instruments.

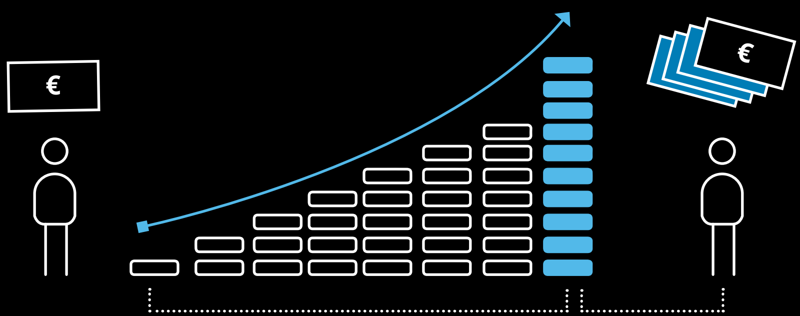
Recommendations

- We recommend that unclaimed distributions from the winding up of investment funds be included in an expanded DAF in the medium term. This asset is sufficiently material to warrant the transfer to the DAF and no debilitating legal or practical issues were identified as part of our review.
- The initial transfer value is estimated at a minimum of €50 million, which represents funds with a dormancy of greater than 6 years for fund administrators operating in Ireland.
- Deloitte understands that the amount of recurring annual transfers will not be considered material for the purposes of this review, and will likely be in the region of circa €2 million per annum.
- We recommend that Irish Funds continue to undertake a review to identify the total quantum of unclaimed distributions from the winding up of investment funds within its remaining members in Ireland and make the data available.

Key challenges and opportunities
Irish Funds members have proposed that on transfer of the dormant amounts to the DAF, all ownership records will be transferred to the NTMA and the NTMA will manage any subsequent restitution claims.

The DAF Acts state that an institution that transfers monies to the DAF shall furnish the NTMA with a statement, in writing, specifying the total amount of moneys transferred and the total number of the accounts concerned. No other personal information is transferred. Regarding the reclaim of funds, where a claimants proves that they are the beneficial owner the institution will notify the NTMA of the amount to be reimbursed.

The proposed transfer of personal data requires current clarification between Irish Fund members and the NTMA.



Detailed review

Industry review

5.1 Investment management is the professional asset management of various securities and other assets in order to meet specified investment goals for the benefit of investors. Investors may be institutions (insurance companies, pension funds, private companies, charities) or private investors, directly via investment contracts and more commonly via collective investment schemes ("Funds").

5.2 In this section, we refer to potential dormant assets in the form of funds, financial instruments as defined by the Markets in Financial Instruments Directive 2004 ("MiFID") and investment instruments, as defined in the Investment Intermediaries Act 1995 ("The Intermediaries Act"). Pensions and insurance dormant assets have been addressed in Section 4.

5.3 The industry is regulated by the CBI, primarily under the conditions set out in Part 6 and Part 7 of the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) (Investment Firms) Regulations 2017 ("2017 CBI Regulation").

Dormancy potential of investment assets

5.4 Financial instruments as defined by MiFID and the Intermediaries Act, such as options, futures, swaps, forward rate agreements, are for a specific investment events and crystalise when the event occurs. Dormancy is therefore not a common issue with regard to these assets.

5.5 We understand from our discussions with Stakeholders, that the most material dormant assets are held in Funds and in particular within liquidated Funds/ sub-Funds where the fund administrator has not been able to make contact with the investor and unclaimed distributions remain within the Fund. For the purpose of this review, we have only considered this type of dormant asset class in this chapter.

5.6 Dormant assets are likely to be highest in Funds with lower levels of ongoing customer contact due to the nature of their services, and / or with greater number of older products where the provision of customer data was often very limited making it harder for fund administrators to trace and reunite customers.

5.7 When seeking to liquidate a Fund, the administrator is required to provide an assurance from an auditor that the Fund is no longer holding investor money and/or client assets and all of the accounts have been closed. This can result in significant delays in the liquidation and revocation process due to difficulty fund administrator experience in contacting "gone away" clients.

Types of Funds

5.8 Depending on the investment strategy, investor base and distribution requirement, a Fund can invest in a range of different asset classes including shares, securities, bonds, property, derivatives and financial instruments. The type of asset will impact on the liquidity of potential dormant assets. When considering the quantum of dormant assets in the asset review set out below we are considering the total quantum of all types of assets included in the fund.

5.9 In addition the type of fund structure will also impact on the liquidity of potential dormant assets. In Ireland there are commonly five types of fund structures:

- Irish Collective Asset-Management Vehicle ("ICAV"): ICAVs are specialised legal vehicles that are governed by the Irish Collective Asset Management Vehicles Act ("the ICAV Act"). ICAVs do not have Irish company status and therefore are not subject to Irish company law.
- Investment company: Investment companies are legally incorporated entities which are governed by the Companies Act 2014.
- Unit Trust: Unit trusts are a contractual fund structure between a trustee and a manager. The unit trust is not a separate legal entity and therefore is managed by separate management company. Unit trusts are governed by the Unit Trusts Act 1990.
- Common Contractual fund ("CCF"): CCFs are Irish regulated asset pooling fund structures that are constructed under, and governed by, contract law. CCFs are unincorporated bodies and are therefore not subject to Irish company law.
- Investment Limited Partnership ("ILP"): ILPs are regulated common law partnerships tailored for Irish investment funds constituted pursuant to a limited partnership agreement. ILPs are governed by the Limited Partnerships Act 1907 and the Companies Act 2014.

Current options for the treatment of dormant assets in Funds

5.10 Section 623 of the Companies Act 2014 (“Section 623”) applies to Funds and other investment vehicles that are incorporated as a company in Ireland. This section provides that where a company has been wound up, and is about to be dissolved, the liquidator shall lodge all unclaimed dividends, unapplied or undistributable balances with the Court.

5.11 An application can be made at any stage to the Court by a person claiming to be entitled to any dividend or other payment out of a lodgement, and it shall be considered and administered by the Court. Any unclaimed balances in this liquidated account held by the Court are transferred to the State after 6 years.

5.12 In addition, under the Irish Collective Asset Management Vehicles Act 2015, all unclaimed balances of a liquidated Fund will be transferred to the Trustee of the Fund or can be paid to a charity of choice of the Fund directors at any stage.

5.13 Consideration may also need to be given to the Investor Compensation Act, 1998, which sets out the mechanism by which clients and investors can make a claim for compensation from the Investor Compensation Company DAC, if a member firm goes out of business and cannot return investments or money.

5.14 We note from our discussion with Stakeholders that the above mechanisms are rarely used in Ireland. Irish Funds have made a number of submissions to CBI with additional proposal on how to transfer unclaimed amounts in Funds to charity. However currently the dormant monies remain under the legal ownership of the liquidated fund and under the remit of the fund administrator.

Consideration of unclaimed distributions from the winding-up of an investment fund for inclusion in an expanded DAF

Evaluation criteria	
Asset description	This asset encompasses cash and other assets that remain unclaimed after a fund has matured and all assets have been liquidated. Other assets include shares, securities, bonds, property, derivatives and financial instruments.
Materiality assessment	Irish Funds conducted a survey of 22 fund administrators operating in Ireland. Three of the firms have responded as at the date of this report. The firms identified all unclaimed dormant amounts for a period of 6 years post the liquidation of the Fund. The total quantum representing the three respondents is US$22.5 million (€20.3 million). Due to the low level of engagement we have been unable to determine an accurate and complete quantum, however Irish Funds have confirmed that their members have indicated in the past that they hold material amounts of dormant assets in the form of unclaimed distributions from the winding up of investment funds. Initial engagement supports this assertion. A conservative total estimate of dormant funds for the purposes of this review is €50 million. Deloitte understands that the amount of recurring annual transfers will not be considered material for the purposes of this review, and will likely be 4% of the initial transfer value or circa €2 million per annum.
Practical issues for consideration	**Period of dormancy:** The Stakeholders believe that the period of dormancy should be 6 years from the date that the fund is liquidated which is in line with Section 623. **Ease of liquidity:** From our discussions with Stakeholders we understand that the majority of assets in the Funds are liquid cash assets. However there is a small number of physical assets within the Funds that have been unable to be liquidated. This is usually because the asset is a subject to litigation. **Restitution claims:** Irish Funds members have proposed that on transfer of the dormant Funds to the DAF, all ownership records will be transferred to the NTMA and the NTMA will manage any subsequent restitution claims. The DAF Acts state that an institution that transfers monies to the DAF shall furnish the NTMA with a statement, in writing, specifying the total amount of monies transferred and the total number of the accounts concerned. No other personal information is transferred. Regarding the reclaim of funds, where a claimant proves that they are the beneficial owner the institution will notify the NTMA of the amount to be reimbursed. The transfer of data would have to be addressed if this process was used for reclaims. **Legal vehicle:** Each type of fund is subject to differing governing laws and regulations, which will need to be considered when liquidating and transferring dormant assets to the DAF. A number of the relevant pieces of legislation have been set out above.
Recommendation	**We recommend that unclaimed distributions from the winding up of investment funds be included in an expanded DAF in the medium term. This asset is sufficiently material to warrant the transfer to the DAF and no debilitating legal or practical issues were identified as part of our review.** **We recommend that Irish Funds continue to undertake a review to identify the total quantum of unclaimed distributions from the winding up of investment funds within its remaining 19 members in Ireland and make the data available.**

Chapter 6: Other assets reviewed

Chapter 6: Other assets reviewed

Summary of this chapter

Expansion of the DAF
This chapter sets out a summary of non-financial sector assets reviewed by Deloitte. We conducted desktop research on the assets covered in this section to assess their suitability for inclusion in an expanded DAF. This research was supplemented with input from relevant Stakeholders where we received engagement.

Deloitte has reviewed the following assets for consideration in an expanded DAF:

- Dormant client accounts held by solicitors;
- Unused gift vouchers and gift cards;
- Assets that are seized by CAB not found to have resulted from the proceeds of crime;
- Unclaimed prize bonds;
- Unclaimed gambling winnings;
- Customer credit balances with utility providers and telecommunication providers;
- Unclaimed tax refunds; and
- Unused balances on Leap cards.

We had Stakeholder engagement from the IBA, the Revenue, the Law Society, CAB and the NTA.

Recommendations

- We recommend that dormant client accounts held by Solicitors be included in an expanded DAF in the long term. This asset is sufficiently material to warrant the transfer to the DAF and no debilitating legal or practical issues were identified as part of our review. The initial transfer value is estimated at a minimum of €35 million, which represents defined contribution funds with a dormancy of greater than 15 years for circa 2,300 individual solicitor practices.
- Deloitte understands that the amount of recurring annual transfers will not be considered material for the purposes of this review and will likely be in the region of circa €0.5 million per annum.
- We recommend that unused gift vouchers and gift cards, continue to be excluded from the DAF, as our review could not conclude on the materiality of this asset and we note a number of the larger retailers currently use these funds for charitable purposes.
- We recommend that unclaimed prize bonds, unclaimed gambling winnings, Customer credit balances with utility providers and telecommunication providers and unused balances on Leap cards, continue to be excluded from the DAF, as our review concluded
- We recommend that assets that are seized by CAB and unclaimed tax refunds, continue to be excluded from the DAF, as our review concluded there is limited or no potential for "gone away" asset owners, and therefore dormancy, within the administration of the asset.

Key challenges and opportunities
There are approximately 2,300 solicitor practices that will be required to make transfers to the DAF on an annual basis. This will increase the administration costs borne by solicitors to transfer funds to the DAF and also the cost to the NTMA of receipt of the individual transfers. Deloitte recommends that the Law Society undertakes a review to determine the feasibility of transferring dormant funds from a central body to the DAF in one yearly transfer.

Detailed review

6.1 In this section we have considered eight additional assets for possible inclusion in the DAF:

1. Dormant client accounts held by solicitors

Evaluation criteria	
Asset description	Funds held in solicitors' client accounts which they are unable to distribute due to the beneficial owners of the monies having "gone away".
Materiality assessment	The Society estimate that a minimum of €35 million of dormant assets are held in circa 2,300 solicitors' client accounts in Ireland for a period of 15 years or greater. Deloitte understands that the amount of recurring annual transfers would not be material for the purposes of this review and will likely be in the region of in the region of 1.5% of the initial transfer value or circa €0.5 million per annum.
Practical issues for consideration	**Cost of transfer:** The largest aspect of the costs will be due to the administration costs borne by solicitors to transfer funds to the DAF. There are approximately 2,300 solicitor practices that will be required to make transfers to the DAF on an annual basis. This will increase complexity of the transfer to the DAF. **Regulation:** Regulation 7 (1) of the Solicitors Accounts Regulations 2014 provides for six circumstances in which client funds may be drawn from the client account. The Society advised Deloitte that any other provision for the withdrawal of funds owed to untraceable persons would alter the ownership of the funds and likely interfere with property rights. **Administrative burden:** Most solicitors' client accounts hold mixed client monies for multiple clients including untraceable monies. If funds are transferred to the DAF this will require solicitors to manually reconcile their client accounts each year to determine which funds are suitable for transfer which will increase administrative burden.
Recommendation	**Deloitte recommends that his asset be considered for inclusion in the DAF in the long term. This asset is sufficiently material to allow for transfer to the DAF. Deloitte recommend that the Society undertake a review to determine the feasibility of transferring dormant funds from a central body to the DAF in one yearly transfer.**

2. Unused gift vouchers and gift cards

Evaluation criteria	
Asset description	Vouchers and gift cards issued by Irish businesses, which have an unused credit balance attaching to them.
Materiality assessment	During a Dáil debate on The Gift Voucher Bill on 12 February 2019, it was suggested that the annual value of gift vouchers sales was approximately €600 million and that 20% or €120 million of this amount is not spent by consumers because vouchers are not used, mislaid or left to expire. The source of this assessment is not known. Deloitte contacted a number of retailers in order to gain an understanding of the potential quantum of unused gift cards and gift vouchers. As of the date of this report, no responses have been received. Therefore we have been unable to determine the materiality of this asset as part of this review.
Practical issues for consideration	**Cost of transfer:** The cost associated with the transfer of funds will be due to the potentially thousands of additional contributors to the DAF. Each retailer will be required to implement processes and assign staff to oversee the annual transfers to the DAF. **Resistance from retailers:** It is expected that there may be resistance from certain retailers to bringing vouchers and gift cards into the DAF, given that it will be a loss of profit to the retailer. We understand from our research that a number of the larger retailers operating in Ireland currently use the funds from unused gift vouchers and gift cards for charitable purposes. **Consumer Protection (Gift Voucher) Act 2019:** The Consumer Protection (Gift Voucher) Act 2019 ("the Gift Voucher Act") aims to address the lack of regulation in the gift voucher market and provide greater clarity for consumers. The Act applies to any voucher, coupon or other document supplied by trader to consumer that is intended to be used as a substitute for money in the payment for goods and services. The Gift Voucher Act and its provisions should be considered if unused gift vouchers and gift cards are to be taken into the DAF at a future date.
Recommendation	**Deloitte recommends that unused gift vouchers and gift cards continue to be excluded from the DAF given the lack of clarity in relation to the materiality of the asset and the current use by retailers of these funds for charitable purposes.**

3-8. Other assets

6.2 As part of our review, Deloitte undertook research in relation to the assets listed below and concluded that they were not suitable for inclusion in an expanded DAF either due to lack of materiality or the potential that dormant assets do not exist within the asset class.

Assets that are seized by CAB not found to have resulted from the proceeds of crime
Legal ownership of assets seized from respondents by CAB under Section 2 of the Proceeds of Crime Act, 1996 (As Amended) is not impacted until a Section 4 vesting order is issued. A Section 4 vesting order is only issued if an asset is proved to be the proceeds of crime. If the asset is found not to be the proceeds of crime, it reverts to its legal and beneficial owner.

Unclaimed prize bonds
Prize bonds can be purchased under the Ireland State Savings scheme, which is administered by the NTMA. In 2018, almost 250,000 people collectively won €16.4 million from prize bonds. At the end of 2018, the amount of unclaimed prizes stood at €2.74 million. Currently, unclaimed prizes are included in the State Savings unclaimed prizes database. The prize amount is then held indefinitely until the holder comes forward to claim it.

Unclaimed gambling winnings/dormant accounts with bookmakers
There is limited publically available information in relation to unclaimed gambling winnings and dormant accounts with bookmakers. From discussions with the Irish Bookmakers Association who have made enquiries of their members, Deloitte understands that unclaimed gambling winnings and dormant accounts with bookmakers are not material.

Customer credit balances with utility and telecommunication providers
When customers change their utility or telecom providers they often leave behind credit balances on their accounts. Most providers allow for customer-initiated refunds for these amounts. Deloitte made enquiries with several of the largest telecommunication and utilities providers in Ireland to ascertain the treatment of unclaimed credit balances and their quantum. As at the date of this report we have received no responses. We understand from our research that this asset is not deemed material.

Unclaimed tax refunds
Tax refunds are calculated by Revenue following a claim by a taxpayer. Revenue pays refunds to taxpayers via bank transfer. Given that the taxpayer will have been in contact with Revenue to initiate the refund, the likelihood of Revenue losing contact with the taxpayer and refunds being unclaimed is low.

Unused balances on Leap Cards
Leap Cards are cards which can be topped up and used to pay for public transport services in various parts of Ireland. Currently, the NTA classify Leap Cards as dormant after 24 months of inactivity. From discussions with the NTA and our review of publically available information, Deloitte understands that the balance on dormant Leap Cards is circa €2 million and are therefore not deemed material.

Appendix 1: Terms of Reference

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- Consider potentially additional sources of dormant assets for possible inclusion in DAF. (Scope to include both financial and non-financial assets) (examples may include uncashed dividend cheques, credit union funds, unit trusts, unused gift vouchers, phone credit and safety deposit boxes)
- Identify additional sources of potentially dormant assets
- Quantify amount likely to be generated in each class
- Assess the benefits and costs/risks associated with bringing additional classes of dormant assets within the ambit of the Dormant Accounts Fund.

  In particular:
  - Balance the right to private property, potential additional costs to industry, interests of consumer protection, and the common good.
  - Ensure the right for customers and heirs to reclaim assets transferred should continue to exist in perpetuity
  - Ensure the net costs to firms, both in terms of transferring assets and attempting to reunite customers with lost assets, are proportionate to the value of the assets themselves
- Conduct key stakeholder consultation/meetings (circa 5-8)

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