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Eurosystem

Press Releases

July – December 2010

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Regulator to Swiftly Implement Arrears Expert Group Conclusions

6 July 2010

-Lenders should move to act immediately before action is taken by Regulator-

Following the publication of the Interim Report of the Expert Group on Mortgage Arrears and Personal Debt today, the Central Bank and Financial Regulator today said that it will act swiftly to address the immediate priorities outlined in the report. Head of Financial Regulation at the Central Bank, Matthew Elderfield, also called on the banks and lenders to take immediate steps to implement the recommendations relevant to them.

The interim report contains a number of recommendations for the Central Bank and Financial Regulator, many of which will be addressed by bringing forward changes to the code of conduct on mortgage arrears including the introduction of an industry wide standard Mortgage Arrears Resolution Process (MARF) and improved communication for mortgage borrowers in arrears. The report also recommends banning penalty interest or arrears charges for borrowers who are taking part in the MARF and for arrears statistics to include the number of rescheduled mortgages.

Head of Financial Regulation, Matthew Elderfield, said "We have participated in this group and are committed to acting swiftly to implement the recommendations of the Group where we are able to do so. We intend to implement the report's recommendations to provide more help to customers by banning arrears charges, improving lender communication with borrowers and implementing a standard industry-wide mortgage arrears resolution process. I call on lenders to implement now the recommendations to improve the position of those in arrears ahead of formal action by us. I would also like to encourage consumers who feel they are in financial distress to contact their lender at an early stage before an arrears problem gets out of hand. Lenders must treat you fairly."

A consultation will be published in August proposing new regulations to address and implement these immediate priorities by amending the statutory code of conduct on mortgage arrears and the Consumer Credit Act. It is intended to publish a revised Code by November 2010. Prior to implementation of these requirements on a statutory footing, firms should move to adopt the measures set out in the report. In order to address the recommendation that lenders should not impose charges on borrowers who are engaging with them, the Financial Regulator will also be engaging with each lender on those charges which are applied under the Consumer Credit Act and previously approved on an institution by institution basis. It will also explore whether legislative change will be necessary to fully implement this recommendation. It is anticipated that the arrears statistics can be amended to reflect rescheduled loans by the end of 2010.

The Central Bank and Financial Regulator will continue to work with the Group and other stakeholders during the next phase of its work to give consideration to broader structural changes to address mortgage arrears and personal debt issues.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Statistics on Securities Issues of Irish Financial and Non-Financial Firms - May 2010

12 July 2010

The Central Bank today published updated statistics on securities issued by financial and non-financial firms incorporated in Ireland at end May 2010. The dataset contains information on the outstanding amount of debt securities and equity securities by sector of issuer and information on monthly net transactions. The sectors of the issuer are: monetary financial institutions; other financial intermediaries; Government; non-financial corporates; and insurance companies and pension funds.

- At end-May 2010, the outstanding amount of debt securities issued by Irish financial and non-financial firms, and the Government was €1.08 trillion, comprising €790 billion in Euro denominated securities and €289 billion in non-Euro denominated securities. Net issues of €8.6 billion during May accounted for the increase in the outstanding amount of debt securities at end-May.
- Of the total outstanding amount of debt securities denominated in all currencies at end-May 2010, 7.5% had an original maturity of less than one year, and the remaining majority had an original maturity greater than one year.
- The monetary financial institution sector had short-term debt securities of nearly €41 billion at end-May, a significant decrease of nearly €6 billion since end-April. Long-term debt securities of the monetary financial sector increased marginally from €144.8 billion at end-April to nearly €145.3 billion at end-May, arising from net issues of only €547 million during the month.
- For the other financial intermediary sector, total debt securities outstanding amounted to €794 billion at end-May, an increase of nearly €15 billion since end-April, arising from net issuances during May. This sector includes entities involved in securitisation, asset finance companies, and treasuries etc., predominantly involved in international financial service activities, for example IFSC type entities.
- Long-term Government debt securities were outstanding at nearly €84 billion at end-May, a net increase of €1.8 billion from end-April, predominantly reflecting two bond issues of €750 million each on 18 May 2010.
- The outstanding debt securities of non-financial corporates, and insurance companies and pension funds were €4.2 billion and €2.3 billion, respectively, at end-May 2010.
- Equity securities, excluding investment fund shares/units, had an outstanding amount of €151.8 billion at end-May, mainly comprising equities quoted on stock exchanges. Non-financial corporations are the most significant sector in equity securities.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Central Bank Publishes Ireland's Payment and Securities Settlement Systems Infrastructure

16 July 2010

The Central Bank today published Ireland's Payment and Securities Settlement Systems Infrastructure report.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Publication of 2009 Annual Report and Strategic Plan 2010 to 2012

16 July 2010

The Central Bank today published its 2009 Annual Report and Strategic Plan 2010 to 2012.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Findings of Inspection of Insurance Intermediaries Compliance with Client Premium Account Regulations

20 July 2010

The Financial Regulator today published the findings of an examination of compliance by insurance intermediaries with the rules governing the handling of client premiums and the operation of client premium accounts. The examination, which commenced in 2009, inspected a sample of insurance intermediaries. The Financial Regulator has communicated the findings to industry and will continue to monitor compliance to ensure that firms are complying fully with all regulations regarding the management of client money.

The statutory Consumer Protection Code has detailed requirements for insurance intermediaries for managing client premium accounts, including requirements to ensure accounts are never overdrawn; to lodge funds in segregated banks accounts; and to retain detailed reconciliation of amounts due to regulated entities on each client premium account operated.

While the majority of firms inspected were found to be in compliance with the requirements of the Code, a number of issues were identified during the course of the inspection. Compliance issues identified during the inspection are subject to separate engagement by the Financial Regulator with the individual firms concerned.

As a result of these inspections, the Financial Regulator has written to all insurance intermediaries outlining that firms should be in compliance with the following issues identified:

- As required under the Code, firms should ensure that they reconcile funds in client premium accounts with amounts owing to regulated entities for insurance policies.
- Firms must maintain sufficient funds in accounts to prevent accounts being overdrawn. The Code requires that client premium accounts must never be overdrawn.
- Client premium accounts must be designated as such and must be segregated from insurance intermediaries' other accounts. The Code sets out details of the transactions which can be passed through such accounts.
- In addition firms were reminded that when handling client premiums firms must ensure that all premiums received are properly receipted and that adequate supervision and control is exercised over the operation of these accounts.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Review Identifies Concerns about Banks' First Time Buyer Mortgage Policies

21 July 2010

- Central Bank and Financial Regulator publishes the findings of review of first time buyer mortgages -

The Central Bank and Financial Regulator today published the findings and recommendations from a review of banks' mortgage lending policy for first time buyers in the retail banking sector. This review was undertaken to ensure that there are strong safeguards in place for mortgage lending, in the interests of both borrowers and lenders.

Following years of rapid growth in mortgage lending, often to inappropriate levels, current conditions in the mortgage market remain challenging, with overall mortgage lending remaining low. But despite limited activity, lending to first time buyers accounts for 38% of new mortgages in individual banks. There are also indications that a number of banks are planning to increase business in this area.

In general, the review suggests that while some progress is being made to improve lending standards and oversight, more can be done, and needs to be done, to improve practices. As lending volumes remain low, the risk that current lending decisions will impact on future losses is not high. The absence of major mortgage activity creates an excellent opportunity for banks to review and enhance practices for the future. It is also important that this happens while the lessons of the crisis are fresh in the minds of market participants.

The main findings from the review are:

- Progress has been made in ensuring that lending decisions are based on more realistic risk factors. Income multiples have been reduced to more realistic levels. The uncertainty of bonuses and overtime payments in calculating income levels is also being reflected in lending decisions. Banks have also made good progress in reducing the number of mortgages which represent exceptions to policy, which is evidence that banks have tightened controls. There have also been improvements in training for underwriting staff. We expect banks to continue these improvements as mortgage volumes rise.
- More work needs to be done across the banking sector to improve the quality and detail of mortgage lending strategies. In particular, these strategies need to be rooted in detailed expressions of risk appetite, using more sophisticated measures of risk (see below). Banks should maintain a current strategy for their mortgage business, with specific attention to strategy for first time buyers business. This mortgage strategy should address management of both new and existing business. The strategy should provide a cohesive view of risk appetite, loan pricing, funding costs and customer suitability and may need to consider multiple views of customer and product segments.
- There are concerns that, in some instances, banks are not utilising robust and reliable risk measures when developing new mortgage lending strategies or mortgage products. The absence of such measures, for example risk adjusted return on capital ('RAROC'), can undermine risk calculations and thus the quality of lending decisions. A particular concern is

the absence of such measures in circumstances where a bank is adapting its strategy in response to its competitors' actions. All banks are expected to ground their lending in strategies appropriate to their risk appetite rather than the direction of the market as a whole. A 'follow my leader' approach to mortgage strategy has not served banks or their borrowers well in the past.

- There is evidence of limited involvement of non-executive directors in assessing, scrutinising and challenging new mortgage lending policies. While most banks bring mortgage portfolio and strategy reviews to their Board for review, there is scope for the Boards of individual banks to provide more challenge to executive decisions on mortgage lending. It is particularly important that non-executives have a firm grip on the definition of risk appetite for mortgage lending and the subsequent formulation of strategy for this market.
- The quality and quantity of feedback between mortgage policy and actual lending decisions needs to be improved. Most banks have independent oversight of their lending decisions, but Boards can do more to determine whether internal controls deliver outcomes that are consistent with mortgage policy and, ultimately, risk appetite and strategy.
- Limited references to customer suitability were found in mortgage product design. Mortgage suitability is a key requirement of the statutory Consumer Protection Code and banks should evaluate whether they can do more to incorporate evaluations of customer suitability within the mortgage process. This will be an area of focus for the Central Bank in coming years.

Banks are expected to use the findings of this review to enhance their mortgage activities. Over time, this should lead to better quality mortgage lending.

As mortgage lending, and credit standards more generally, are areas of focus the Central Bank and Financial Regulator will intervene where it is not satisfied that adequate safeguards exist within a bank. Measures which may be taken, on a bank-by-bank basis, can include:

- Imposing a loan to value ceiling;
- Capping loan to income multiples;
- Limiting the term of new mortgages;
- Removing room rentals as a criteria for mortgage assessment; and
- Imposing income verification procedures, including contacting employers

The preference is that banks take the lead in developing best practice mortgage lending practices, and progress in this area will be recognised in the nature of our engagement with individual institutions.

The findings of the review are the subject of separate follow up with each of the participating banks. Further sampling work will be undertaken on recently issued mortgages to assess, in detail, the progress banks are making in introducing appropriate controls on mortgage lending. Specific follow-up action will occur on a bank-by-bank basis.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Decisions Taken by the Governing Council of the ECB (In Addition to Decisions Setting Interest Rates) July 2010

23 July 2010

The Decisions taken by the Governing Council of the ECB (In addition to decisions setting interest rates) for July 2010 have been published.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

European Supervisors Banking Stress Test Results for AIB and Bank of Ireland

23 July 2010

- Regulatory Capital Target Meets CEBS Stress Requirement-

The Central Bank and Financial Regulator today published the results of a stress testing exercise carried out on AIB and Bank of Ireland and coordinated by the Committee of European Banking Supervisors (CEBS). The results of the exercise demonstrate that AIB and Bank of Ireland meet the stress requirements and do not require additional capital beyond the requirement set in March 2010 by the Central Bank and Financial Regulator following completion of the Prudential Capital Assessment Review (PCAR).

Execution of the capital plans resulting from the PCAR assessment is already underway. Bank of Ireland has already exceeded its capital requirement and AIB has an approved capital plan to meet the requirement by December 2010 involving asset disposals and equity raising underwritten by the Irish government.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Central Bank and Financial Regulator Begins Strategic Review of Credit Union Sector

27 July 2010

Specialist firm appointed to Conduct Comprehensive Independent Review

The Central Bank and Financial Regulator today announced the appointment of Grant Thornton to conduct an independent strategic review of the credit union sector in Ireland. The review was requested by the Minister for Finance to assist in the development of a modern credit union sector, identifying the legislative and regulatory framework required to build a strong and sustainable sector. The first phase will concentrate on establishing the financial position and risk profile of the credit union sector.

In the current challenging economic environment it is important in the interest of members and the sector as a whole that there is a strong and healthy credit union sector. The significance and scale of the sector means that the regulatory regime has to be adapted to ensure credit unions remain viable in a new financial environment. The responsibility for maintaining sustainable credit unions and the future development of the sector rests with the current boards of directors, managers and representative leadership within the movement. Strong leadership will be required to steer credit unions through these uncertain times. If credit unions are to continue to achieve their mandate and develop as viable alternative financial services providers for their members then operational and regulatory change is necessary.

James O'Brien, Registrar of Credit Unions said 'We would encourage credit unions to engage positively with the review. It offers a significant opportunity for all credit unions, large, medium and small, and the sector as a whole to develop a robust and sustainable business model. To support and encourage this outcome, our regulatory focus over the next few years will be based on the principle of 'strong credit unions in safe hands'.

The first phase of the review will include a detailed factual overview and expert assessment of the financial position and risk profile of the credit union sector as whole. Grant Thornton will engage and consult directly with credit unions, carrying out surveys, interviews and on site reviews to collect information to make specific proposals to strengthen the soundness of credit unions. This will also involve assessing the adequacy and appropriateness of:

- External support mechanisms;
- Governance and competency;
- Operating Model; and
- Regulatory and legislative framework for credit unions.

The Central Bank and Financial Regulator has also announced that it intends to hold its inaugural 'Credit Union Regulatory Forum' in the autumn. The forum meetings, which will be held on a regional basis, will be an opportunity for credit unions to express views on current issues facing the sector and for credit unions to hear about the Registrar's regulatory approach. It is intended that the forum will be held annually.

Credit unions have also been notified that the deadline for submissions on the recently issued consultation paper 'Stabilisation Support for Credit Unions' has been extended to 24 September 2010, to provide sufficient time for the preparation of submissions.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Euro Area Bank Lending Survey Q2 2010 - Irish Results

28 July 2010

The results of the Euro Area Bank Lending Survey for Q2 2010, including Irish results, have been published.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Quarterly Financial Accounts for Ireland: Q1 2002 – Q1 2010

30 July 2010

The Central Bank today publishes for the first time, Quarterly Financial Accounts (QFA) for Ireland. The accounts present a complete and consistent set of quarterly data for all resident institutional sectors in Ireland. They provide comprehensive information not only on the economic activities of households, non-financial corporations, financial corporations and Government, but also on the interactions between these sectors and the rest of the world. The data tables show the financial balance sheet and financial transactions of each of these sectors from Q1 2002 to Q1 2010. An overview of some notable trends in households, Government and non-financial corporations is outlined below.

Household sector results show:

- Irish household net financial wealth (financial assets less liabilities) reached €95.8 billion in Q1 2010; a growth of 58 per cent from Q1 2009. This has been driven by the recovery of stock markets in the aftermath of the financial crisis and a reduction in household borrowings, through a fall in borrowing levels, loan repayments and write-offs. It should be noted that housing and non-financial assets are excluded from QFA.
- This is a reversal of trends in previous quarters which had shown a decline in household net financial wealth between Q1 2007 and Q1 2009. Over these quarters, the increase in household liabilities outpaced the increase in financial assets. This effect was compounded by stock market volatility during that period.
- Households have been net savers since Q1 2009, as their borrowing levels declined. Furthermore, with declining consumption levels and housing investment, they have invested relatively more of their resources in financial assets.
- Results show that from Q1 2007 'currency and deposits' became a larger share of the household portfolio. Meanwhile, holdings of 'insurance technical reserves' and 'shares and other equity' fell as stock market volatility between Q1 2007 and Q1 2009 led to falls in the value of these assets. In addition, greater risk aversion and a liquidity preference by households over this period led to proportionally greater investment in deposits than in riskier asset types. A similar shift in asset composition can be observed between Q3 2002 and Q3 2003 when global stock markets were also relatively volatile.

Government sector results show:

- Between Q4 2009 and Q1 2010, Government liabilities increased by 17 per cent. This increase was driven largely by two factors – by the capital injections into Anglo Irish Bank and Irish Nationwide of €8.3 billion and €2.7 billion, respectively; and also by increased debt security issuance over the period. Most Government funding continues to be met using long-

term debt securities, however, as liabilities have risen from Q4 2007, short-term debt securities have become an increasingly important source of funding.

- The Q4 2009 and Q1 2010 capital injections into Anglo Irish Bank were treated in Government accounts as capital transfers, thereby directly impacting the Government deficit by €4 billion and €8.3 billion, respectively. The €2.7 billion capital injection into Irish Nationwide in Q1 2010 was provisionally treated as a financial transaction and, therefore, does not currently affect the deficit adversely.

Non-Financial Corporation sector results show:

- There has been substantial growth in the non-financial corporate sector since 2002. Total financial assets increased by 223 per cent to a total of almost €600 billion between Q1 2002 and Q1 2010; while total liabilities increased 180 per cent to a total of almost €800 billion over the same period. Results show that net financial wealth has doubled from minus €100 billion in Q1 2002 to minus €200 billion in Q1 2010.
- QFA show that the primary sources of funding for the non-financial corporate sector are 'loans', 'shares and other equity' and 'other accounts receivable'. From Q2 2004 funding through loans was proportionately higher than equity funding. This trend was reversed in Q4 2009, as credit from monetary financial institutions has tightened.
- The net lending/net borrowing position of the non-financial corporate sector shows that there has been a move from being a net borrower to net lender from early 2006. This is related to the increase in loans granted by some multi-national companies to their non-resident affiliates.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Central Bank Publishes Quarterly Bulletin 3 2010

30 July 2010

The Central Bank today Central Bank Publishes Quarterly Bulletin 3 2010.

Comment

Developments in the international environment have been mixed over the last few months. On a positive note, although there are ongoing concerns about the strength of the recovery in some countries, the initial recovery in global growth has tended to exceed earlier expectations, partly reflecting the exceptional support from monetary and fiscal policies. It has also become clear, however, that some of these same policies are generating potentially damaging side-effects, in particular, the emergence of high and unsustainable fiscal deficits. When combined with the fragilities that remain in the financial sector, they threaten to slow or, in a worst-case scenario, even derail the international recovery.

The main impact to date has been largely confined to renewed tensions in financial markets, especially those in which governments and banks obtain financing. Several EU countries have been at the centre of these concerns. In the medium term, the only satisfactory policy responses to these developments are fiscal consolidation measures in those countries most affected by increasing public debt, a significant number of which have been announced. In addition, actions to identify and rectify any remaining problems in the financial sector are being taken in the form of stress-tests of banks by European supervisors and associated undertakings by governments to support institutions where needed.

Other measures have also been taken to relieve market tensions, such as the establishment of the European Financial Stability Fund (EFSF) and the ECB's Securities Market Programme (SMP). The latest tensions have, of course, also sparked an examination of how economic governance in the EU might be strengthened in order to avoid similar crises in the future. As far as the immediate impact of these market tensions is concerned, the indications are that, so far, there has only been a limited effect on sentiment, as measured by surveys of firms and consumers, and thereby, on the real economy. In line with this, growth projections for Ireland's trading partners by international agencies have not been affected to a significant degree to date. Considerable uncertainty must surround these forecasts, however, in the current climate.

Turning to domestic developments, the indications are that the economy evolved broadly as expected through the first half of 2010. The performance of the exporting sector strengthened, largely due to a good performance by the multinational sector. This was reflected in first quarter national accounts data that showed significant quarter-on-quarter GDP growth but a small decline in GNP. So-called 'soft' indications, such as purchasing manager surveys, as well as other high frequency indicators, such as industrial production and retail sales, suggest this picture broadly persisted into the second quarter. Overall, these developments are consistent with a gradual positive impulse from the external side of the economy slowly beginning to outweigh a remaining, but diminishing, drag on output from domestic sources.

On the assumption that external demand is not significantly affected by the current strains in financial markets and associated fiscal measures, this general picture would remain valid. In annual average terms and taking account of the latest quarterly data, this suggests an increase in the volume of GDP of about 0.8 per cent this year and a decline of about 1.0 per cent in GNP, followed by growth in the range of 2.2 to 2.8 per cent in both measures next year. Reflecting both the relative weakness of domestic demand and the general pattern that employment lags output developments, employment has continued to fall, although at a diminishing rate. In fact, employment growth is unlikely to fully stabilise before the end of the year and downward pressure on unemployment from this source will likely only gradually emerge through next year.

As well as depending on the external environment, the economy's growth prospects will be influenced by domestic developments, particularly in relation to the three key policy issues at present — the normalisation of the banking sector, the consolidation of the public finances and the improvement in the economy's competitiveness position. As regards the banking sector, the general deterioration in financial market conditions during the second quarter was a negative development for the sector, as it was in other countries and, despite some improvements, conditions remain difficult. In parallel with the actions at a European level, such as the conduct of stress-tests by European supervisors and the establishment of the EFSF and the SMP, the domestic authorities have received EU approval to extend the guarantee on banks' liabilities in order to support the sector until conditions normalise. The combined effect of these measures, both at European and national level, should support further improvements in market conditions that will allow the process of the normalisation of the banking sector to proceed.

Abstracting from the very substantial but oneoff impact of government support to the banking sector, public finance data for the first six months of the year reveal a picture generally in line with expectations. The EU Commission has also confirmed that no further actions are required for this year, over and above those already implemented, to ensure compliance with the adjustment programme already laid out by the government and agreed with the Commission. This programme itself involves significant further tightening of the fiscal position over the agreed consolidation period to 2014. In order to achieve these targets it will be necessary to spell out the details of the consolidation measures, implement them without delay and also to stand ready to take further action if needed. It is critically important that the proposed programme of adjustment is adhered to. Against the background of tougher fiscal adjustment measures being adopted by other EU Member States, early action that has the effect of emphasising the national determination to manage the public finances will help contain borrowing costs on international markets and, ultimately, help to lower the adjustment burden. It is also an important element in supporting the recovery in confidence domestically. In this regard, the recent 'Croke Park' agreement will assist the credibility of the fiscal adjustment programme as well as contributing to a stable industrial relations environment.

The country's competitiveness position continues to improve. Movements in short-term indicators of the economy's relative position, measures such as relative unit labour costs in a common currency, continue to move in the right direction. On most measures, there has been some recovery of the ground lost over much of the last decade up to about 2008 and further gains are projected for this year and next. Some of this improvement, however, reflects sectoral changes in the economy, such as the move away from construction and services to the higher productivity exporting sectors. Abstracting from this, the underlying improvement, while still significant, is not as great and this signals the need for continued wage restraint relative to other countries.

A second element in competitiveness is a set of more structural longer-term features of the economy that enhance its attractiveness as a location for economic activity, whether by inward investors or domestic firms. These features include a business-friendly environment, good economic infrastructure, efficient public services, sufficient competition in the non-traded sector generally and a skilled and adaptable labour force. Both short-term and longer-term aspects of competitiveness need to be addressed simultaneously in order to deliver a positive outcome. For example, if costs in Ireland are out of line with competing economies, then having a skilled labour force will be of little benefit in itself, with increased net emigration the most likely outcome. Similarly, simply driving costs down continually without any investment in a skilled labour force is a recipe for declining rather than improving living standards. Much of the favourable structural features of the economy that were present in the initial stages of strong growth, before the later unsustainable boom years, remain in place now but continued adjustments in relative prices and costs are required to reap the benefits in terms of stronger output and employment growth over the coming years.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Central Bank Publishes Updated June 2010 Money and Banking Statistics

4 August 2010

The Central Bank has today published updated June 2010 Money and Banking Statistics.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Findings of Inspection of Life Insurance Firms Compliance with Minimum Competency Requirements

5 August 2010

-Examination Shows Comprehensive Procedures in Place-

The Central Bank & Financial Regulator today published the findings of a themed inspection on compliance by life insurance firms with the 'grandfathering'[1] provisions and register maintenance provisions of the Minimum Competency Requirements. The inspection was carried out earlier this year and found that firms generally had comprehensive procedures in place. The Central Bank and Financial Regulator has notified life insurance firms of the findings of the inspection and has made a number of recommendations. The findings from the inspection have informed the current review of Minimum Competency Requirements.

Under the Minimum Competency Requirements (MCR), which came into effect on 1 January 2007, firms must ensure that individuals who provide advice on or sell retail financial products or undertake certain specified activities[2] meet a minimum required competency standard, either through holding a recognised qualification or working in the industry for a specified period of time. In addition, individuals are required to undertake a programme of Continuing Professional Development (CPD) on an ongoing basis and firms are required to ensure that these individuals comply with these requirements.

The Central Bank & Financial Regulator was encouraged to find that, in the main, life insurance firms have comprehensive procedures in place to ensure compliance with the requirements. Following the inspection a number of recommendations have been made to firms:

- Firms must have procedures in place to ensure that 'grandfathered' individuals who are recruited from another firm in the financial services industry have experience that is relevant to the role they will carry out in the firm. The verification of this must be documented and recorded.
- Firms must ensure that all staff who are required to meet Continuing Professional Development requirements are monitored on an ongoing basis to ensure that the required amount of CPD is completed and that the CPD is relevant to the staff member.
- Firms must ensure that their records are kept up to date and where anomalies exist in CPD records, these must be investigated and addressed as a matter of urgency.
- Firms must implement procedures to ensure that the register of accredited individuals is kept up to date on an ongoing basis to ensure that consumers are not provided with out of date information.

Compliance issues identified during the inspection are subject to separate engagement with the individual firms concerned. The findings have been incorporated into the ongoing Review of Minimum Competency Requirements on which a consultation paper, CP45, has been issued. The closing date for submissions in response to this consultation paper is 13 August 2010.

[1]When the requirements were introduced, they included ‘grandfathering’ provisions for those with experience in the industry. Grandfathered individuals meet a specified level of relevant industry experience and do not require a recognised qualification. These individuals are subject to the ongoing CPD requirements.

[2] Specified activities include claims administration, reinsurance intermediation, management of accredited individuals and adjudicating on complaints.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Decisions Taken by the Governing Council of the ECB (In Addition to Decisions Setting Interest Rates) August 2010

6 August 2010

The Decisions taken by the Governing Council of the ECB (In addition to decisions setting interest rates) for August 2010 have been published.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Central Bank Governor to Visit Asia

11 August 2010

Governor of the Central Bank of Ireland, Patrick Honohan is embarking on a tour of Asian financial centres this week to explain to official monetary institutions and other observers the recovery measures under way in Ireland aimed at regenerating economic growth and restoring confidence after the policy challenges of the past two years.

The visits to Singapore, Kuala Lumpur, Hong Kong, Beijing and Tokyo are being organised by the Official Monetary and Financial Institutions Forum (OMFIF), of which the Central Bank of Ireland is a member.

During the visit, Governor Honohan will be addressing a number of organisations as well as conducting private talks with the monetary authorities of Singapore, Malaysia, Hong Kong, China and Japan.

Governor Honohan said 'At a time of great change in the world economy, it is important to convey the full extent of progress in rebalancing the Irish economy after recent strains. I am confident that the tour will further improve international understanding of the steps Ireland is making to return to economic normality.'

Mr Michael Lafferty, co-chairman of OMFIF, who will be accompanying Governor Honohan, said "Ireland is making exemplary progress in putting its economic house in order and the Governor is just the right person to explain on the international stage the positive effects of these changes."

Notes to editors

Governor Honohan's visit as part of an OMFIF delegation starts on 12 August and ends on 20 August. The governor will give the following lectures at the end of his trip:

Tuesday 17 August: "Banks and the budget: lessons from Europe". Lecture at Renmin University, Beijing.

Thursday 19 August: "Ireland and Europe in the context of the world economy". Lecture for the Japan Ireland Chamber at the Thomson Reuters Tokyo Office.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Statistics on Securities Issues of Irish Financial and Non-Financial Firms - June 2010

11 August 2010

The Central Bank today published updated statistics on securities issued by financial and non-financial firms incorporated in Ireland at end June 2010. The dataset contains information on the outstanding amount of debt securities and equity securities by sector of issuer and information on monthly net transactions. The sectors of the issuer are: monetary financial institutions; other financial intermediaries; Government; non-financial corporates; and insurance companies and pension funds.

- At end-June 2010, the outstanding amount of debt securities issued by Irish financial and non-financial firms, and the Government was €1.08 trillion, comprising €783 billion in Euro denominated securities and €297 billion in non-Euro denominated securities. Net redemptions of €4 billion during June accounted for the slight decrease in the outstanding amount of debt securities at end-June.
- Of the total outstanding amount of debt securities denominated in all currencies at end-June 2010, 7.4% had an original maturity of less than one year, and the remaining majority had an original maturity greater than one year.
- The monetary financial institution sector had short-term debt securities of nearly €38 billion at end-June, a decrease of about €3 billion since end-May. Long-term debt securities of the monetary financial sector decreased from €145.3 billion at end-May to nearly €142.7 billion at end-June, arising from net redemptions of €2.7 billion during the month.
- For the other financial intermediary sector, total debt securities outstanding amounted to €794 billion at end-June, which was the same outstanding amount as at end-May. This sector includes entities involved in securitisation, asset finance companies, and treasuries etc., predominantly involved in international financial service activities, for example IFSC type entities.
- Long-term Government debt securities were outstanding at just over €85 billion at end-June, a net increase of €1.5 billion from end-May, predominantly reflecting two bond issues of €750 million each on 15 June 2010.
- The outstanding debt securities of non-financial corporates, and insurance companies and pension funds were €3.5 billion and €2.6 billion, respectively, at end-June 2010.
- Equity securities, excluding investment fund shares/units, had an outstanding amount of €154 billion at end-June, mainly comprising equities quoted on stock exchanges. Non-financial corporations are the most significant sector in equity securities.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Proposed New Requirements to Protect People in Mortgage Arrears

13 August 2010

Recommendations of Mortgage Arrears and Personal Debt Expert Group to be incorporated into Statutory Mortgage Arrears Code

The Central Bank and Financial Regulator today published a consultation paper on the statutory Code of Conduct on Mortgage Arrears (CCMA), outlining proposed new regulations for dealing with those in mortgage arrears. The Interim Report of the Mortgage Arrears and Personal Debt Expert Group, published in July, set out a recommended process for dealing with mortgage arrears and makes specific recommendations in relation to the CCMA. The consultation paper has taken the recommendations into account, along with other issues that have arisen since its implementation, to assist borrowers with arrears on the mortgage on their home.

The proposed new statutory requirements for mortgage lenders under the Code include:

- Lenders must have in place a Mortgage Arrears Resolution Process (MARP) as a framework for handling arrears and pre-arrears cases.
- Specific information must be provided to borrowers in a clear customer friendly manner when they go into arrears. A Standard Financial Statement must be used by all lenders to obtain financial information from borrowers in arrears or at risk of going into arrears. Lenders must assess each case on its individual merits and must base their assessment on the completed Standard Financial Statement.
- Lenders must engage with borrowers who are at risk of going into arrears.
- Lenders must explore all viable options with borrowers and must examine alternative repayment measures.
- Borrowers must not be required to change from a tracker mortgage to another mortgage type.
- Where borrowers are co-operating reasonably and honestly with lenders, lenders must wait at least twelve months before applying to the courts to commence enforcement of any legal action on repossession of a primary residence. The twelve-month period commences:
 - when the arrears first arose, if a revised repayment arrangement has not been agreed; or
 - when the borrower ceases to adhere to the terms of a revised repayment arrangement and no further arrangements are being entered into.
- Lenders must establish a centralised and dedicated Arrears Support Unit and draw up and implement procedures for dealing with borrowers in arrears or at risk of arrears. Training must also be provided for staff dealing with borrowers experiencing arrears.
- Lenders must establish an appeals process to consider any appeals submitted by borrowers.
- An information booklet must be made available to borrowers providing details of a lenders MARP process. The booklet must be drafted in plain English and in a clear and consumer friendly manner.

The Consultation also seeks views on specific issues including an appeals process, limiting the level of unsolicited communication with those in arrears; establishing an appropriate definition of what constitutes arrears; and defining a primary residence or describing what type of property should be protected under the CCMA.

The CCMA was first introduced on 27 February 2009 to provide additional protections to consumers who are in mortgage arrears and to help ensure that all genuine cases are handled positively and sympathetically by lenders. An amendment was introduced to the CCMA in February 2010 which extended the time lenders must wait before repossessing a property from six months to twelve months. The CCMA applies to all regulated mortgage lenders, except credit unions.

The Central Bank and Financial Regulator is seeking views on proposed amendments to the CCMA. Submissions on the proposed changes from interested parties should be made by 3 September 2010 with a view to publishing the revised CCMA by November 2010.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Statement - Bank of Scotland (Ireland) Limited

19 August 2010

Bank of Scotland (Ireland) Limited has informed the Central Bank and Financial Regulator that its shareholder, Lloyds Banking Group, has decided to exit the Irish market and as a result, Bank of Scotland (Ireland) will no longer offer banking activities in Ireland from the end of December 2010. Bank of Scotland (Ireland) has advised the Central Bank and Financial Regulator that it intends to cease operating as an Irish licensed bank by 31 December 2010 and the business of Bank of Scotland (Ireland) will be transferred to its parent Bank of Scotland (UK). This decision follows a commercial review of Bank of Scotland (Ireland) by Lloyds Banking Group following the closure of the Halifax retail banking business and the Bank of Scotland (Ireland) intermediary business.

Under the EU Cross Border Merger Regulations, the business of Bank of Scotland (Ireland) will transfer to Bank of Scotland (UK) which is licensed and regulated by the UK Financial Services Authority. Bank of Scotland (Ireland) must ensure that customers' rights are protected and treat their customers honestly and fairly during the process and ensure that all relevant regulatory requirements are complied with.

Bank of Scotland (Ireland) has advised that it will begin writing to customers by the end of September 2010 to set out how the changes will affect them and to explain the next steps that they may need to take. The implications will vary depending on the type of account or product customers may hold and the Central Bank and Financial Regulator would recommend that customers read the details very carefully.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Concerns Following Examination of Tracker Mortgages

23 August 2010

- Tracker customers should be informed of switching implications -

The Central Bank and Financial Regulator today published the findings of an examination of switching practices related to tracker mortgages by mortgage lenders and relevant customer communications. A number of concerns were identified during the examination about the level of disclosure and transparency when consumers moved from tracker rate mortgages to other forms of mortgages.

The Central Bank and Financial Regulator has written to all mortgage lenders detailing the findings from the examination and outlining a number of new measures to be introduced immediately to ensure consumers fully understand the implications of switching from a tracker mortgage. Issues identified are subject to separate supervisory engagement with individual firms.

The examination found that in some cases communication on the financial implications and consequences of switching were not fully transparent to the customer and that it was not always clear that if a customer moved from a tracker rate mortgage to an alternative interest rate (fixed, variable or other rate), for any reason, that their agreed tracker rate or an alternative tracker rate might not be available again in the future.

As a result of this finding mortgage lenders have been requested to fully disclose the impact of any switch from a tracker mortgage rate in all customer communications, with immediate effect. Customers must be notified that switching from a tracker rate may mean they will lose the ability to avail of a tracker rate mortgage in the future, where this is the case.

Mortgage lenders have been advised to include new information in all customer communications regarding switches from tracker rate mortgages, for any reason, with immediate effect:

- Indicative comparisons of the cost of monthly repayments of the customer's current tracker rate mortgage and the rates being offered; and
- Details of the advantages and disadvantages of both the tracker mortgage rate compared to the other rates being offered.

The examination did not find any evidence that customers were being offered incentives to move off tracker rate mortgages but mortgage lenders have been instructed to give careful consideration before offering any incentives to customers to move from tracker rate mortgages and to notify us in advance of any such proposals.

It was noted that one mortgage lender provides for a cooling off period for customers who have switched mortgages. The Central Bank and Financial Regulator is considering the use of a cooling off period as part of the review of the Consumer Protection Code. The Consumer Protection Code is currently under review and it is expected that a consultation paper will be issued on the Code later this year.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Central Bank Publishes Updated July 2010 Money and Banking Statistics

31 August 2010

The Central Bank has today published updated Money and Banking Statistics to the end of July 2010.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Latest Arrears and Repossessions Figures show 387 Residential Properties Repossessed in 12 months

1 September 2010

The Central Bank and Financial Regulator today published the latest data on mortgage arrears and repossessions for the period ended June 2010. The figures show that at end June 2010 there were over 789,000 private residential mortgage accounts held in Ireland to a value of almost €118 billion. Of these 36,438 were in arrears for more than 90 days. The data also shows that overall mortgage debt outstanding for private residential mortgages decreased by over €339 million since the first quarter of 2010. This is the fourth set of data the Central Bank and Financial Regulator has published on mortgage arrears and the figures collated over the 12 month period from 1 July 2009 to 30 June 2010 show there were 387 residential properties repossessed.

1. Arrears Data

As at end June 2010, 36,438 mortgage accounts, or 4.6%, were in arrears for more than 90 days of which 24,797, or 3.14% of the total mortgage accounts, were more than 180 days in arrears. By value €6.9 billion was owed in relation to all accounts more than 90 days in arrears of which €4.8 billion was owed for accounts more than 180 days in arrears. Mortgage accounts in arrears for more than 90 days increased by 12.74% since the end of March 2010.

There was little change in the number of formal demands outstanding which have been issued by mortgage lenders with the total number outstanding remaining at nearly 5,500. In these cases the level of arrears amounts to €84.48 million on outstanding mortgages totalling just over €1.16 billion. There was also a further decrease in the level of outstanding arrears cases where court proceedings had been issued to enforce the debt/security on the mortgage. At the end of June 2010 there were 3,023 of such cases which is a decrease of 1.75% since end of March 2010. In these cases the level of arrears amounted to €96.9 million on outstanding mortgages totalling €672 million.

2. Court Proceedings

During the quarter ended June 2010, mortgage lenders applied to Court to commence proceedings to enforce the debt/security in 170 cases. This is an increase of 5.59% on the number of cases reported in the quarter ended March 2010. In these 170 cases arrears totalling €8.1 million had built up on mortgage loans totalling €41.3 million.

During the quarter 215 enforcement proceedings were concluded. In 101 cases the Courts granted repossession orders which included 7 properties that were voluntarily surrendered and 24 that were abandoned. In the remaining 114 where enforcement proceedings were concluded, 85 were settled either by renegotiating the term and/or other conditions of the mortgage. The remainder of these cases were concluded by voluntary surrender or on other terms.

3. Repossessions

At the beginning of the quarter mortgage lenders held a stock of 455 repossessed residential properties. A further 86 were repossessed during the quarter of which 20 were repossessed on foot of Court Orders and 66 were repossessed following voluntary surrender or abandonment. This brings the total properties repossessed in the twelve month period 1 July 2009 to 30 June 2010 to 387.

A total of 45 properties were disposed of during the quarter. This left mortgage lenders with 496 repossessed residential properties at the end of June 2010.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Settlement Agreement between the Financial Regulator and Inveralmond Insurance Ltd.

9 September 2010

The Financial Regulator has entered into a Settlement Agreement with effect from 7 September 2010 with Inveralmond Insurance Limited (the “undertaking”) of 4th Floor, Marsh House, 25-28 Adelaide Road, Dublin 2, a regulated financial service provider, in relation to a breach of regulatory requirements.

The breach relates to a failing by the undertaking to comply with Article 13(1) (b) of the European Communities (Non-Life Insurance) Framework Regulations, 1994 which requires non-life insurance undertakings to maintain a guarantee fund at certain minimum levels.

On 19 diverse dates from 17th December 2008 to 28th January 2009 inclusive, the undertaking failed to hold sufficient assets to meet its requisite minimum guarantee fund of €3,200,000. Throughout the period of non-compliance, the greatest shortfall in assets on any one date amounted to €199,853 and the mean shortfall amounted to €84,440.

The Financial Regulator reprimanded Inveralmond Insurance Limited and has required it to pay a fine of €26,600.

The Financial Regulator does not believe that the actions of the undertaking were deliberate and confirms that there was no loss or any risk to policyholders as a result. Furthermore, the undertaking has been closed to new business since 31st March 2008. The undertaking has fully cooperated with the Financial Regulator at all times during the investigation.

The Financial Regulator regards breaches of solvency requirements arising from a lack of prudent management, to be a contravention of important regulatory requirements.

This matter is now closed.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Settlement Agreement between the Financial Regulator and Creation Insurance Ltd.

9 September 2010

The Financial Regulator has entered into a Settlement Agreement with effect from 6 September 2010 with Creation Insurance Limited (the “undertaking”) of 4th Floor, Marsh House, 25-28 Adelaide Road, Dublin 2, a regulated financial service provider, in relation to a breach of regulatory requirements.

The breach concerns a failing by the undertaking to comply with Article 13(1) (b) of the European Communities (Non-Life Insurance) Framework Regulations, 1994 which requires non-life insurance entities to maintain a guarantee fund at certain minimum levels.

On 139 diverse dates from 28 March 2008 to 7 January 2009 inclusive, the undertaking failed to hold sufficient assets to meet its requisite minimum guarantee fund of €2,200,000. Throughout the period of non-compliance, the greatest shortfall in assets on any one date amounted to €141,000 and the mean shortfall amounted to €31,662.

The Financial Regulator reprimanded Creation Insurance Limited and has required it to pay a fine of €26,600.

The Financial Regulator believes that the actions of the undertaking were not deliberate, that there was no loss or risk to policyholders and the undertaking has been closed to new business since 30 June 2004. The undertaking has fully cooperated with the Financial Regulator at all times during the investigation.

The Financial Regulator regards breaches of solvency requirements arising from a lack of prudent management, to be a contravention of important regulatory requirements.

This matter is now closed.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Insurance Statistical Review for 2009 Published

10 September 2010

The Central Bank and Financial Regulator today published the Insurance Statistical Review for 2009. This publication gives detailed statistics and market data on the insurance industry in Ireland. The information is primarily sourced from the regulatory returns provided in 2009 by insurance companies to the Financial Regulator.

The Insurance Statistical Review 2009 includes the following key data:

Overview of the Volume of Business Written

Total Gross Premium income received by Head Offices and Branches in Ireland amounted to €40.19 billion compared to €38.39 billion in 2008. In 2009, €28.23 billion of the total was generated by Life companies and €11.96 billion by Non-Life companies.

Life Assurance

Gross Premium written in Ireland by Life Assurance companies decreased by 0.9% to €28.23 billion from €28.50 billion in 2008. It comprised €10.67 billion in Irish Risk business (€12.46 billion in 2008) and €17.56 billion in Foreign Risk business (€16.04 billion in 2008). The breakdown shows that Irish Risk business decreased by 14.4% and Foreign Risk business increased by 9.5%.

Total Net Premium Income in respect of Irish Risk business amounted to €9.77 billion compared with €11.32 billion in 2008, a decrease of 13.7%. Total Foreign Risk Net Premium Income amounted to €16.76 billion compared with €14.95 billion in 2008, an increase of 12.1%.

Non-Life Insurance

Gross Premium written in 2009 amounted to €11.96 billion (€9.89 billion in 2008). This comprises €3.77 billion Irish Risk business (€3.86 billion in 2008), €2.87 billion in Foreign Risk business written from Ireland on a Freedom of Service basis (€3.09 billion in 2008) and €5.32 billion in Foreign Risk business written by branches located abroad of Irish authorised insurers (€2.94 billion in 2008). Therefore, Irish Risk premium written decreased by 2.3% on 2008; Foreign Risk business written from Ireland on a Freedom of Service basis decreased by 7.1%; and Foreign Risk business written by branches located abroad of Irish authorised insurers increased by 80.9%.

Net Premium Income in 2009 was €7.04 billion (€6.18 billion in 2008); comprising €3.23 billion (€3.33 billion in 2008) for Irish Risk; €1.72 billion (€1.86 billion in 2008) for Foreign Risk business written from Ireland on a Freedom of Service basis and €2.09 billion in Foreign Risk business written by

branches of Irish authorised insurers located abroad (€0.99 billion in 2008). Overall the total increased by 14% from 2008, whilst the breakdown shows that Irish Risk business decreased by 3%; Foreign Risk business written from Ireland on a Freedom of Service basis decreased by 7.5%; and Foreign Risk business written by branches located abroad of Irish authorised insurers increased by 111%.

Underwriting Result - Irish Market

In respect of Irish Risk business, the 2009 result showed a Net Underwriting Loss of €124.5 million compared to a profit of €121.9 million, in 2008. Of this, Irish authorised companies incurred an underwriting loss of €21.7 million while branches of companies authorised in other jurisdictions made a loss of €102.8 million. In 2009, the total income from investments attributable to the Underwriting Revenue Account was €317 million compared to €95.5 million in 2008.

Underwriting Result – Foreign Risk Market written from Ireland

There was a Net Underwriting Profit recorded in respect of Foreign Risk business written from Ireland on a Freedom of Service basis of €179.8 million compared to a profit of €109 million in 2008. Of this, Irish authorised companies achieved an underwriting profit of €191.3 million while branches of companies authorised in other jurisdictions made a loss of €11.5 million. In 2009, the total income from investments attributable to the Underwriting Revenue Account was €58 million compared to €117.9 million in 2008.

In addition, Foreign Risk business written outside of Ireland by branches located abroad of Irish authorised insurers showed a Net Underwriting Profit of €5.8 million compared to €34 million in 2008. In 2009, the total income from investments attributable to the Underwriting Revenue Account was €184.1 million compared to €6 million in 2008.

Breakdown by Class of Insurance

The breakdown of the Gross Written Premium related to Irish Risk written in Ireland between the various classes of insurance reveals that in 2009 Motor Insurance represented 36.36% of the market compared to 37.62% in 2008; Fire and Other Damage to Property represented 25.98% compared to 25.2% in 2008; Accident & Health business represented 17.51% compared to 15.2% in 2008; whilst Liability represented 16.7% compared to 18.38% in 2008.

The breakdown of the Gross Written Premium related to Foreign Risk business written from Ireland on a Freedom of Service basis between the various classes of insurance shows that in 2009 Fire and Other Damage to Property insurance represented 25.14% compared to 25.59% in 2008; Accident and Health insurance represented 22.57% compared to 22.55% in 2008; Liability insurance represented 18.41% from 17.55% in 2008; and Motor insurance represented 11.71% of the market compared to 9.40% in 2008.

The breakdown of the Gross Written Premium related to Foreign Risk business written outside of Ireland by branches located abroad of Irish authorised insurers between the various classes of insurance shows that in 2009 Fire and Other Damage to Property insurance represented 30.84% compared to 25.05% in 2008; Liability insurance represented 30.39% compared to 41.45% in 2008; and Motor insurance represented 27.96% of the market compared to 17.84% in 2008.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Prudential Capital Requirements and Stress Testing Results for Irish Life & Permanent plc (ILP)

10 September 2010

The Central Bank and Financial Regulator has today published the results of its Prudential Capital Assessment Review (PCAR) for Irish Life & Permanent plc (ILP) for the three years until 2012. These capital levels are being set for the ILP consolidated group, which is covered under the government guarantee, to ensure that it can withstand future losses, even under very stressed conditions. In addition the Central Bank and Financial Regulator has also applied the Committee of European Banking Supervisors (CEBS) stress test methodology to ILP.

Findings of the Prudential Capital Assessment Review

The capital level is consistent with the new capital requirements announced for other Irish credit institutions in March 2010 and will ensure that ILP strengthens its capital position.

The PCAR has been undertaken to determine the recapitalisation requirements of the credit institution with reference to a base case and a stress case:

Irish Life & Permanent plc is not required to raise any additional capital in respect of the base case, as it meets the 8% Core Tier 1 and the 7% Equity Tier 1 requirement under the base case, but is required to raise an additional €145m of Core Tier 1 capital to meet the stress case target of 4% Core Tier 1.

The capital requirement must be in place by the 31st May 2011. This level of capital must be met after taking account of all future profits and losses and will be principally in the form of equity. Equity is considered the highest quality form of capital, and the emerging international standard. In addition, further amounts are added on in the calculation of future loan losses. The requirements also mean that ILP cannot go below a level of 4% core tier 1 capital in a severely stressed scenario. ILP will be required to submit its recapitalisation plan to the Central Bank and Financial Regulator within 30 days.

Findings of the CEBS Stress Test

The Central Bank and Financial Regulator also applied to ILP the stress test as determined by the Committee of European Banking Supervisors (CEBS) in July 2010. The results of the exercise demonstrate that ILP meets these stress requirements and does not require additional capital beyond the requirement set out under the PCAR. The stress test required ILP to meet a 6% Tier 1 target capital ratio.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Statistics on Securities Issues of Irish Financial and Non-Financial Firms July 2010

10 September 2010

The Central Bank today published updated statistics on securities issued by financial and non-financial firms incorporated in Ireland at end-July 2010. The dataset contains information on the outstanding amount of debt securities and equity securities by sector of issuer and information on monthly net transactions. The sectors of the issuer are: monetary financial institutions; other financial intermediaries; Government; non-financial corporates; and insurance companies and pension funds.

- At end-July 2010, the outstanding amount of debt securities issued by Irish financial and non-financial firms, and the Government was €1.01 trillion, comprising €765 billion in Euro denominated securities and €248 billion in non-Euro denominated securities. Net redemptions of €62 billion during July accounted for the decrease in the outstanding amount of debt securities at end-July.
- Of the total outstanding amount of debt securities denominated in all currencies at end-July 2010, 7.1% had an original maturity of less than one year, and the remaining majority had an original maturity greater than one year.
- The monetary financial institution sector had short-term debt securities of €35.3 billion at end-July, a decrease of nearly €3 billion since end-June. Long-term debt securities of the monetary financial sector decreased from €142.7 billion at end-July to €138 billion at end-July, arising from net redemptions of €4.7 billion during the month.
- For the other financial intermediary sector, debt securities decreased since end-June and amounted to €741 billion at end-July arising from net redemptions of €52.6 billion during the month. This sector includes entities involved in securitisation, asset finance companies, and treasuries etc., predominantly involved in international financial service activities, for example IFSC type entities.
- Long-term Government debt securities were outstanding at just over €86.7 billion at end-July, a net increase of nearly €1.5 billion from end-June, predominantly reflecting two bond issues of €750 million each on 20 July 2010.
- The outstanding debt securities of non-financial corporates, and insurance companies and pension funds were €2.7 billion and €2.2 billion, respectively, at end-July 2010.
- Equity securities, excluding investment fund shares/units, had an outstanding amount of €151.3 billion at end-July, mainly comprising equities quoted on stock exchanges. Non-financial corporations are the most significant sector in equity securities.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Statement - Quinn Insurance Ltd (Under Administration) - Result of Consideration of Proposals to Recommence Writing UK Commercial Insurance

13 September 2010

The Central Bank and Financial Regulator has concluded its detailed review of proposals by the administrators of QIL to recommence writing commercial insurance in the United Kingdom. It has determined that QIL would require additional capital in order to recommence writing business in that market. This capital is currently unavailable to QIL. As a consequence, the Central Bank and Financial Regulator is not in a position to modify its direction in order to allow QIL write commercial insurance in the UK. Should the company obtain sufficient capital and return to required solvency levels in the future, consideration may be given to reviewing this decision. The administrators have been informed of this decision as have the Financial Services Authority in the UK.

This decision does not affect QIL's authorisation to write UK private motor insurance or general insurance business in Ireland, and its settlement of claims on extant UK commercial business will continue unaffected.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Examination Finds Lenders Compliant with Provisions of the Code of Conduct on Mortgage Arrears Inspected

15 September

Arrears and repossession handling by mortgage lenders a key supervisory focus

The Central Bank and Financial Regulator today published the findings of a themed inspection on compliance by mortgage lenders with certain provisions of the statutory Code of Conduct on Mortgage Arrears (CCMA). The onsite inspection examined the issuance of formal demand letters, applications to the courts to commence enforcement of legal action on repossession and entering alternative repayment arrangements.

The inspection was carried out in 2010 across five mortgage lenders including credit institutions and other types of mortgage lenders and it found good levels of compliance with the specific provisions examined in the current statutory code. The inspection confirmed the mortgage lenders inspected did not take court action within the 6 month and 12 month timeframes, as required by the CCMA. It was also evident that the mortgage lenders inspected were willing to work with consumers to assist them in addressing their mortgage arrears problems. Lenders were also found to be willing to enter into alternative mortgage repayment arrangements with consumers over various time periods.

The main findings from the inspection are:

- In all cases reviewed it was noted that mortgage lenders were in compliance with the required timeframes before applying to the courts to commence enforcement of any legal action on repossession of a property and that customers were notified when the mortgage lender commenced the enforcement of any legal action on repossession.
- It was evident that mortgage lenders endeavoured to obtain income and expenditure details from consumers and explored alternative repayment measures with consumers. In general it was found that mortgage lenders provided consumers with details of these alternative repayment arrangements, in writing, and monitored the arrangements in place.
- Some shortcomings were identified regarding the records maintained by mortgage lenders about advising consumers to take independent advice on arrangements and referrals to MABS, where appropriate. Mortgage lenders have been reminded of their obligations with regard to demonstrating compliance with the CCMA.
- In general it was noted that mortgage lenders did not issue a formal demand until a third payment was missed and the required information was provided to customers in advance of the formal demand.

Commenting on the inspection findings Bernard Sheridan, Assistant Director General, Consumer Protection, said, 'The inspection showed that lenders are willing to work with borrowers facing mortgage difficulties. However, it is important that consumers engage with their lenders at an early stage if they are concerned about meeting their mortgage repayments.'

Issues identified during the themed inspection are subject to separate engagement with the individual mortgage lenders concerned.

Relevant information from this themed inspection process informed the recent consultation on the CCMA. Submissions received in response to this consultation are currently being considered. It is intended to publish a revised Code by November 2010.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Central Bank and Financial Regulator Issues Warning on Investment Firm

21 September 2010

The Central Bank and Financial Regulator today published a warning notice on Marcus Jones International (United Kingdom). The firm is not authorised as an investment firm in Ireland and has been offering investment services to members of the Irish public. The notice is published today in Irish daily newspapers under the European Communities (Markets in Financial Instruments) Regulations 2007.

It is a criminal offence for an investment firm to operate in Ireland unless it has an authorisation from the Central Bank and Financial Regulator. Clients of unauthorised firms are not eligible for compensation from the Investor Compensation Scheme.

Any person wishing to contact the Central Bank and Financial Regulator with information regarding such firms may telephone (01) 224 4000. This line is also available to the public to check if an investment firm is authorised. Since obtaining the necessary legal powers in August 1998, 82 warnings naming 155 firms have been issued.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Central Bank and Financial Regulator Begins Series of Regional Credit Union Regulatory Meetings

22 September 2010

Cork to host First Meeting of the Credit Union Regulatory Forum

The Central Bank and Financial Regulator has announced the inaugural annual Credit Union Regulatory Forum will be held in Cork today. This is the first in a series of meetings with credit unions that will be held nationwide over the coming weeks. Further meetings will take place in Kilkenny, Limerick, Athlone, Sligo and Dublin. The Regulatory Forum will offer credit union officers who hold key governance positions an opportunity to hear directly about the regulatory approach for credit unions and to express views on current issues facing the sector.

The agenda for the meetings includes an overview of the new regulatory approach for credit unions, the process for the 2010 year end and the strategic review of the credit union sector.

James O'Brien, Registrar of Credit Unions said 'this is another step in our programme of increased interaction and engagement with individual credit unions. Credit unions, as with all financial institutions, are impacted by current economic challenges so it is important to build an understanding of the need to develop a new regulatory approach for the sector, underpinned by strong balance sheets and robust governance structures. The significance and scale of the sector means that the regulatory regime has to be adapted to ensure credit unions remain viable in a changed financial environment and we are currently working with the sector to develop a new regulatory framework under the principle of 'Strong Credit Unions in Safe Hands'. In this environment strong leadership will be required from boards of directors, managers and representative bodies. These meetings provide an opportunity for those involved in credit unions to give us their views, which will help in developing our regulatory initiatives for the sector.'

The meeting schedule for the Regulatory Forum is:

- 22 September: Cork
- 23 September: Athlone
- 27 September: Limerick
- 30 September: Kilkenny
- 4 October: Sligo
- 5 October: Dublin

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Sectoral Developments in Private Sector Credit - June 2010

28 September 2010

The Central Bank has today published the Sectoral Developments in Private Sector Credit to June 2010.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Press Statement - Anglo Irish Bank Capital Costs and Review of Capital Requirements for Irish Banks

30 September 2010

The Central Bank today (Thursday 30 September) published its assessment of the capital requirements resulting from the recently announced restructuring of Anglo Irish Bank.

In addition, the Central Bank has published the outcome of its review of the capital requirements of those Irish banks subject to the Prudential Capital Assessment Review (PCAR) exercise, in light of the estimated remaining haircuts to be applied by NAMA.

Anglo Irish Bank Restructuring

The Central Bank has assessed the injection of capital needed to meet minimum regulatory requirements under both a base, and central, scenario, taking account of expected losses, and under a severe hypothetical stress scenario.

This assessment has been applied to both the proposed Funding Bank and the Asset Recovery Bank that will be created. The total capital required for both institutions under the base, or expected loss, scenario is €29.3billion.

Under the stress scenario, in the event that unexpected additional losses are incurred, the Central Bank estimates that an additional €5 billion of capital could potentially be required.

A detailed description of the capital requirements and the methodology used are set out in the attached statement.

Implementation of PCAR Requirements for Irish Banks

The Central Bank has advised the Irish banks subject to the Prudential Capital Assessment Review (PCAR) that the year-end deadline for meeting the standards remains in place. The Central Bank has reviewed the requirements based on the higher NAMA haircuts announced today and which were not available when the original calculations were conducted on 30 March.

The outcome of the review is as follows:

AIB

In light of the higher NAMA haircuts, the Central Bank has advised AIB that it will be required to raise an additional €3 billion by 31 December.

Bank of Ireland

Bank of Ireland already has sufficient capital to meet the PCAR standard in the light of the higher NAMA haircuts.

EBS

NAMA has not indicated haircut estimates for EBS at this point. Given the small size of the portfolio of loans, the impact of higher haircuts is unlikely to be significant. However, the Central Bank has informed EBS that it will need to take account of higher haircut levels of up to 60% in its capital planning and it should advise acquirers accordingly.

IL&P

IL&P does not have loans in NAMA and its PCAR is unaffected.

INBS

A PCAR exercise has not yet been conducted for INBS in light of the continuing discussion on its restructuring plans.

A more detailed description of the PCAR review is in the attached statement.

Speaking today, Central Bank Governor, Patrick Honohan, said: "Taking account of NAMA's estimates of future haircuts has implications for required capital injections which need to be acted on now. The new calculations give clarity and as much certainty as can reasonably be expected to the budgetary cost of the bank restructuring. The additional budgetary costs – and in particular the higher debt-to-GDP ratio that is implied – confirm the need for a reprogramming of the budgetary profile, though it is important to recognise that the bulk of this reprogramming need arises from other sources. Today's announcements take the Irish banking system closer to a final resolution of its restructuring, which is a prerequisite for sustained economic recovery."

The Head of Financial Regulation at the Central Bank, Matthew Elderfield, said: "The assessment we have published today of the costs of Anglo's restructuring reflect careful analysis of information from a range of sources. It also includes a projection based on a prudent hypothetical stress scenario which gives guidance as to the likely upper bound of those costs. At the same time, we have today confirmed that we are pressing ahead with our plans to require the Irish banks to meet more rigorous capital requirements which are closely aligned with the new international standards set by the Basel Committee and to do so by the year end. As part of this process, we have advised the banks that they need to take account of developments in the NAMA haircuts which have

occurred during the course of the year. This ensures that the banks' year end capital position fully meets the objectives of our Prudential Capital Assessment Review process."

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Statement on Implementation of Prudential Capital Assessment Review requirements for Irish Banks

30 September 2010

The Central Bank is announcing today (30 September 2010) that it has advised the Irish banks that have been subject to PCAR[1] assessments that the year-end deadline for meeting the PCAR standards remains in place despite recent developments in international capital standards. The Central Bank has also advised the banks as to the capital treatment of any adverse development in NAMA haircuts since the PCAR calculations were conducted on 30 March.

PCAR Timing

On March 30, the Central Bank published the results of the first round of its Prudential Capital Assessment Review of AIB, Bank of Ireland and EBS. The results of a PCAR for IL&P were published on 11 September. The PCAR standard required the banks to meet a requirement of 8% core tier 1 and 7% equity by the end of 2010, taking account of both NAMA losses and of projected expected losses on non-NAMA portfolios through 2012. A stress capital requirement of 4% of core tier 1 was also established.

The Central Bank is today confirming that this deadline remains in place. Since the publication of the PCAR standards the Basle Committee has announced its intention to increase international regulatory standards. This includes a target level of 7% equity plus capital conservation buffer and an 8.5% core tier 1 plus capital conservation buffer, both by 2019. These are very close to the PCAR standard established by the Central Bank. Despite the long transitional period agreed by Basel, the Central Bank has decided to retain the PCAR deadline to ensure the Irish banks move to a stronger capital position on an accelerated timeline. This will also allow the Irish banks the full transitional time to meet any additional changes necessitated by other elements of the Basel proposals.

Impact of Higher NAMA Haircuts

The 30 March announcement by the Central Bank included specific required capital increases for each of the banks. This was based on the Central Bank's own assessment of non-NAMA expected losses, including a buffer. The calculation also applied the haircuts on the first tranche of loans transferring to NAMA, based on information available from NAMA at the time. In the period following 30 March, a subsequent NAMA tranche has transferred and NAMA at the request of the Minister for Finance has now provided an estimate of the NAMA haircuts on all remaining tranches for the two principal Irish banks, AIB and BOI.

In light of the publication of the estimated remaining NAMA haircuts, the Central Bank has advised the banks as follows:

AIB

In the case of AIB, the NAMA haircut for Tranche 2 and the estimated haircuts for all remaining Tranches are higher than the first tranche used for the PCAR exercise. The Central Bank has therefore advised AIB that it will be required to raise an additional €3 billion by 31 December, 2010. The Government is today announcing its plans to recapitalise AIB to the PCAR requirements, including this adjustment for higher NAMA haircuts, after taking account of disposals of AIB's Polish and US assets.

Bank of Ireland

In the case of Bank of Ireland, the bank already has sufficient capital to meet the PCAR standard (including the buffer set by the Central Bank for the non-NAMA portfolio) recognising the change in threshold and estimated NAMA haircuts announced today.

EBS

NAMA has not indicated haircut estimates today for EBS. Given the small size of the portfolio of loans transferring into NAMA, the impact of higher haircuts is unlikely to be significant for EBS's PCAR requirement. However, following advice from NAMA the Central Bank has informed EBS that it will need to take account of higher haircut levels of up to 60% in its capital planning and that it should advised potential acquirers accordingly.

IL&P

IL&P does not have loans in NAMA and its PCAR is unaffected.

INBS

A PCAR exercise has not yet been conducted for INBS in light of the continuing discussion on its restructuring plans.

Non-NAMA Loss Estimates

The Central Bank's loan loss estimates for the non-NAMA portfolios of AIB, BOI, EBS and ILP remain unchanged from the 30 March PCAR process. These estimates included a buffer for uncertainty in base expected loss estimates, as well as a stress assessment.

Below €20 Million Land and Development Loans

The Minister for Finance will shortly outline that the Government has decided that eligible loans below a €20 million threshold in AIB and Bank of Ireland will not now be transferred to NAMA. This is an increase on the threshold of € 5million which had previously applied to NAMA loans in these institutions. This means that land and development loans of between €5 and €20 million will now remain on the banks' balance sheets. The Central Bank has advised AIB and Bank of Ireland that the impairment provisions requirement for this portfolio of loans should be the higher of the PCAR base loss rates used for below €5 million loans and the average haircut used for loans exceeding €20 million transferring to NAMA.

Future PCAR Exercises

The Central Bank will conduct its next PCAR exercise in 2011. Any differences between the estimates provided by NAMA, which are used for the end 2010 capital requirement, and the final haircuts on transfer will be included in that exercise. The Central Bank will at that time also give an indication of the timeline towards full compliance with Basel 3.

[1] The Prudential Capital Assessment Review (PCAR) assessed the capital requirements arising for expected base and stressed losses, and other financial developments, over a 3 year (2010-2012) time horizon. It involved the Central Bank and Financial Regulator making an assessment of the recapitalization requirements of the banks in order to satisfy the higher of a base case and stressed target capital requirement.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Statement on Anglo Irish Bank Restructuring Capital Costs

30 September 2010

Following the proposal of the Government, which remains subject to EC approval, not to expand the Bank's loan book and to split Anglo Irish Bank into a Funding Bank and an Asset Recovery Bank, the Central Bank has assessed the capital requirements and potential base and stress losses that could be incurred under the restructuring plan.

This statement presents an estimate of the total required to capitalise the two banks under a base scenario, to meet minimum capital requirements taking account of expected losses through the cycle. It also provides a calculation of the scale of additional loan losses that might arise under certain stress scenarios. The review of the financial projections for the new business model has been conducted in co-operation with the National Treasury Management Agency and is based on information from Anglo management and third party analysis commissioned by the public authorities and Anglo management.

Base case estimates

The Central Bank has assessed the injection of capital required to meet minimum regulatory capital requirements under a base, or central, scenario taking account of expected losses through the cycle.

Capital requirements

In light of the particular nature of the Asset Recovery Bank, the Central Bank will not impose PCAR or CEBS stress regulatory capital requirements on this entity. The Central Bank has determined that current Basel 2 minimum capital requirements, being 8% of Risk Weighted Assets, will apply immediately following implementation of the restructuring.

The Funding Bank will continue to accept deposits as a regulated bank. Accordingly, the Central Bank has determined that in principle the PCAR capital requirement should apply. The capital in Funding Bank will be influenced by the evolution of the funding markets and any expectations for a credit rating separate to that implied by State ownership.

The plan includes a capital amount of €250 million in order to meet the market risk and operational risk charges arising on its asset portfolio. The capital base of the funding bank will be kept under review, but due to the risk profile and structure of the bank any increase would not expose the State to further losses.

NAMA losses

A principal driver of the projected capital costs for Anglo is the NAMA 'haircut' applied to property and development loans that transfer from Anglo to NAMA. The process of transferring the remaining Anglo property and development portfolio is being accelerated. Some €16 billion of a projected €35 billion in NAMA loans have transferred across to NAMA to date (in tranches 1 and 2). The average haircut on these first two tranches was 58%. Relying on advice from NAMA, the base

case scenario capital cost projections use a haircut of 67% for the remaining tranches to transfer to NAMA.

Non-NAMA losses

Assumed loss rates on the non-NAMA book have been calculated at the higher of CEBS base case loss rates, Anglo loss estimates and the base case loss rates estimated by an independent third party, subject to review by the Central Bank.

The estimates

The base case capital requirement for the Asset Recovery Bank is € 29 billion.

The base case capital requirement for the Funding Bank is €250 million.

Note that €23 billion has already been injected by the Government into Anglo in 2009 and up to end-August 2010.

Stress cases

The Central Bank has also carried out an assessment of the additional losses that could be incurred by the Asset Recovery Bank under a severe hypothetical stress scenario. The exact level of losses in a stress scenario will depend on economic circumstances, future funding costs and the effectiveness of management in realising value from the remaining portfolio over time.

The NAMA loan evaluation process has been accelerated and the 67% haircut used for the base calculation has been provided by NAMA to the Central Bank. It is based on a review of information provided by Anglo carried out by NAMA based on discounts applied to similar assets by type and geography. When final transfer occurs a reconciliation will be made which may result in a further payment to or from Anglo. NAMA has advised the Central Bank that this reconciliation is likely to be in a range of +/- 3%. As a result, the stress calculation assumes a hypothetical 70% haircut on the remaining portfolio to be transferred.

The stress scenario is also sensitive to funding costs and therefore assumes elevated on-going funding costs based on the mix of funding sources proposed in the restructuring plan.

The other principal driver of the stress calculation is the level of losses in the non-NAMA portfolio under a stress scenario. The Central Bank has reviewed both Anglo and third party loan loss forecasts from an individual loan, bottom-up (micro) perspective and from a portfolio segment, top-down (macro) perspective.

A key element in the stress scenario is the assumed fall in commercial property prices. For the UK and US, double dip property values were assumed for both the micro and macro scenarios.

The micro stress scenario assumed a peak-to-trough fall of 70% in Irish commercial property prices, with prices only recovering to 57% of their peak level out to 2020.

The macro stress scenario assumed that Irish commercial property prices fall to 65% off their peak values and do not recover out to 2020.

The stress loss estimate uses the more conservative of the micro and macro calculations.

The micro analysis includes a Central Bank review of impairment and IBNR forecasts for 2010- 2012 prepared with a view to recognising the losses that may be incurred over the life of the loans. This approach does not assume the loan will be realised or worked out in the 3 year period but that the losses are recognised.

The macro analysis, prepared by a third party and reviewed by the Central Bank, applies a methodology based on the hypothetical disposal of the entire non-NAMA portfolio in the period through to 2020. It identifies recovery values for portfolio segments by reference to loan portfolio, geographic market, property price assumptions, recovery assumptions and portfolio disposal/ run-off rates. The non-NAMA portfolio includes assets in Ireland, the UK and the US, in business banking and other segments in addition to commercial property. Excluding a core portfolio of higher quality performing loans, the loss rates for the segments of the remainder of the non-NAMA portfolio ranged from 43% to 70%. The loan loss levels in the stress scenario used is more conservative than the stress assumptions applied by the PCAR and CEBS.

Taking into account all these stress elements, the Central Bank estimates that an additional €5 billion of losses, above the €29.3 billion^[1] base estimate, are possible under a severe hypothetical stress scenario. These estimates do not include any burden sharing with subordinated debt holders.

[1] €29.3 billion figure includes the Funding Bank capital costs

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Central Bank Publishes Updated August 2010 Money and Banking Statistics

30 September 2010

The Central Bank has today published updated Money and Banking Statistics to the end of August 2010.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Central Bank Publishes Quarterly Bulletin 4 2010

4 October 2010

The Central Bank today published Quarterly Bulletin 4 2010.

Comment

At this time of heightened financial market tensions, the country faces challenging decisions on a range of issues. By far the most pressing are those relating to tackling the underlying fiscal situation, normalising the banking sector and regaining lost competitiveness. Further progress on all these aspects are critical to ensuring that the economy returns to a healthy growth path of output and employment following a recession of almost unprecedented depth and duration.

Economic growth has slowed globally in the second half of the year, following a relatively strong start to the year in many major economies. This has naturally increased concerns about the outlook. However, the central scenario of all the major international agencies, at this stage, is that this slowing does not signal anything more than a loss of momentum in the recovery. It reflects the fact that this recovery, like most others following serious financial crises, is more likely to be gradual and uneven than consistently robust. The conclusion seems to be that, for Ireland, in the short-term, the external environment is likely to be positive but not very dynamic.

Taking account of the most recent data, the latest projection is for an average annual increase in the volume of GDP of 0.2 per cent this year, while GNP is forecast to fall by 1.7 per cent. The divergence between the two measures reflects the relative strength of exports. Encouragingly, the latest trade data indicate that the export recovery has become somewhat more broadly based and now encompasses some more 'traditional' segments of the manufacturing sector. While domestic demand remains weak, there is evidence that consumer spending, although fluctuating somewhat, is starting to stabilise. The continuing weakness of investment, however, remains a considerable drag on growth. Reflecting both the relative weakness of domestic demand and the general pattern that employment lags output developments, employment has continued to fall, although at a diminishing rate.

Looking ahead to 2011, the outlook will be influenced by the extent to which the positive impulse from the external side of the economy begins to be felt throughout the economy. As already noted, economic growth in the advanced economies has moderated and forecasts for the international economy for 2011 have been revised slightly downwards in recent months. Reflecting this, the outlook for the Irish economy (on current budgetary projections) is for growth in 2011 to be about 2.4 per cent in GDP terms and 1.7 per cent in GNP terms, slightly lower than foreseen at the time of the last Quarterly Bulletin. The risks to this outlook are tilted to the downside.

As regards the main policy issues, further progress has been made in relation to the banking sector with the recent announcement of the Government's plan to re-structure Anglo Irish Bank. The associated capital requirements have been announced and have brought increased clarity, within the limits of any exercise of this kind, as to the likely fiscal costs of government intervention in the

sector. Notwithstanding these developments, trading conditions facing Irish banks in the market for wholesale funding remain difficult. This reflects concerns about both the banking sector itself and the broader fiscal situation in Ireland. Borrowing costs for the State and the banking sector are now very closely aligned, reflecting the increased links between the two sectors, as well as the underlying tensions in the markets. The raised level of these costs reflects the fact that lending to Ireland, through either channel, attracts a risk premium that was absent in earlier years. Further progress is, therefore, needed in establishing the banking system on a sound footing so that it can assist in the recovery of the economy. This will entail the additional strengthening of the capital position of banks up to the levels prescribed by the Financial Regulator, either from private sources, in so far as possible, but also from the state where required.

An even more pressing policy issue at the moment is the underlying fiscal position. Even without the costs of supporting the banking sector, the State's expenditures are running well in excess of its income. This gap amounted to 14.6 per cent of GDP in 2009 and is likely to be about 11.6 per cent of GDP in 2010. In order to address this clearly unsustainable situation, the Government has agreed an adjustment path for the deficit with the EU Commission, which is designed to bring it down to less than 3 per cent by 2014. This path seeks to strike a balance between the need to bring the public finances onto a sustainable footing and limiting the risk that a very rapid adjustment would affect the economy's prospects for recovery.

Against the background of sharply increased concerns about fiscal sustainability, the main priority in the short-term is to ensure that the 2011 budget credibly demonstrates the first step of a reprogrammed tighter fiscal plan aimed at getting back on to a convergent path. This will necessarily mean a larger adjustment than the €3 billion foreseen until recently. Indeed, a review of the adjustment path should be completed as a matter of urgency, in order to ensure that it takes account of the many developments that have occurred since it was originally agreed. These include a generally lower level of prices in the economy, higher debt servicing costs including those related to intervention in the banking sector, and the prospect of somewhat lower than projected real growth next year. Equally important is to provide more details on how the adjustment will be achieved, as this will add to the credibility of fiscal reform. Putting together a detailed programme of the changes required to get to a fully sustainable position is needed in the current climate of concern about sovereign borrowing and against a background of further fiscal reforms in other countries. These actions would help to confirm the view that Ireland's debt burden will stabilise, although at a high level relative to its income, and will then start to reduce over time. This, in turn, should help to ultimately lower the overall burden of the adjustment on taxpayers and borrowers, by promoting a reduction in borrowing costs for the State, as well as limiting the upward pressure on interest rates generally in the economy. This would particularly be the case if a consensus, or at a minimum acceptance, were to emerge around the details of a credible reprogramming of the adjustment.

The final key determinant of the economy's growth prospects is the evolution of competitiveness. During the boom years, prices and wages moved to unsustainably high levels relative to the country's trading partners. There has been a noticeable improvement in conventional measures of competitiveness, such as relative unit labour costs, in the last two years. Some of this has been due to sectoral changes in the economy, however, such as the contraction of the labour intensive construction sector, so that the underlying improvement has not been as great, suggesting the need for further wage restraint relative to Ireland's main trading partners. The underlying strengths that were built up in the earlier years of strong growth in the 1990s largely remain in place and these can contribute positively to growth once wage and price competitiveness is more fully restored. There are areas that still require further reforms to increase competition such as those identified in the

reports of the Competition Authority, such as some professional services, health services provision and other areas. There is a need to press ahead with further reforms in the relevant areas in order to support medium term growth prospects. A combination of these reforms, further improvements in the country's competitive position, along with capital strengthening in the banking sector and comprehensive measures to address the underlying fiscal position, would enhance considerably the country's ability to cope with the current situation.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Statistics on Securities Issues of Irish Financial and Non-Financial Firms - August 2010

12 October 2010

The Central Bank today (October 12 2010) published updated statistics on securities issued by financial and non-financial firms incorporated in Ireland at end-August 2010. The dataset contains information on the outstanding amount of debt securities and equity securities by sector of issuer and information on monthly net transactions. The sectors of the issuer are: monetary financial institutions; other financial intermediaries; Government; non-financial corporates; and insurance companies and pension funds.

- At end-August 2010, the outstanding amount of debt securities issued by Irish financial and non-financial firms, and the Government was €1.08 trillion, comprising €810 billion in Euro denominated securities and €270 billion in non-Euro denominated securities. Net issues of €32 billion during August accounted for the increase in the outstanding amount of debt securities at end-August.
- Of the total outstanding amount of debt securities denominated in all currencies at end-August 2010, 7.5% had an original maturity of less than one year, and the remaining majority had an original maturity greater than one year.
- The monetary financial institution sector had short-term debt securities of €36.9 billion at end-August, an increase of €1.6 billion since end-July. Long-term debt securities of the monetary financial sector increased slightly from €138 billion at end-July to €138.3 billion at end-August, arising from net issues of €0.3 billion during the month.
- For the other financial intermediary sector, debt securities decreased since end-June and amounted to €805 billion at end-August arising from net issues of €25 billion during the month. This sector includes entities involved in securitisation, asset finance companies, and treasuries etc., predominantly involved in international financial service activities, for example IFSC type entities.
- Long-term Government debt securities were outstanding at just over €88 billion at end-August, a net increase of nearly €1.5 billion from end-July, predominantly reflecting two bond issues of €1 billion and €500 million on the 17 August 2010.
- The outstanding debt securities of non-financial corporates, and insurance companies and pension funds were €3.6 billion and €2.5 billion, respectively, at end-August 2010.
- Equity securities, excluding investment fund shares/units, had an outstanding amount of €137.5 billion at end-August, mainly comprising equities quoted on stock exchanges. Non-financial corporations are the most significant sector in equity securities.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Central Bank of Ireland Launches €15 Silver Proof Coin

13 October 2010

The Central Bank of Ireland today launched a limited edition €15 silver proof collector coin. The coin features the design of an Irish hunter horse pictured alongside its foal and honours the first coins of the Irish Free State issued in 1928.

The coin, designed by Emmet Mullins, is a modern interpretation of the original horse design which featured on the half crown by renowned designer Percy Metcalfe and is the first in a three-year series to be followed by the salmon and Irish wolfhound in 2011 and 2012.

Speaking at the launch, the Governor of the Central Bank, Patrick Honohan said: 'The first coins of the Irish Free State were released in 1928, each of which featured an animal design on its reverse. The designs by Percy Metcalfe were chosen for their depiction of agriculture which was essential to the economy of Ireland at the time. In honour of these designs, the Central Bank of Ireland is issuing three limited edition coins over the next three years. The designs chosen remain synonymous with many aspects of Irish life today including agriculture, sporting and tourism activities.'

To mark the launch, a special presentation of the coin was made to the Assistant Commissioner of An Garda Síochána, Michael Feehan who received the coin on behalf of the Mounted Support Unit.

The €15 silver proof coin, which has an issue limit of 15,000 units is available to the public from 14 October at a cost of €36 per coin. Each coin is accompanied by a numbered Certificate of Authenticity specifying the quality of the coins and the limited issue. The coin can be purchased directly from the Central Bank of Ireland, Dame Street, Dublin or by calling 1890 307 607.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Stronger Consumer Protection Pledged by Central Bank

15 October 2010

The Head of Financial Regulation at the Central Bank of Ireland, Matthew Elderfield, today said consumer protection will continue to be a key priority for the Central Bank as he outlined new proposals to strengthen consumer protection. Addressing the Association of Compliance Officers at University College Cork, he said new proposals to strengthen the statutory Consumer Protection Code would be published later this month and gave details of the work programme to strengthen protection for mortgage borrowers in arrears.

He said, 'The Central Bank is determined to keep consumer protection a top priority and to reinforce the framework governing the various ways financial firms interact with consumers by strengthening our Consumer Protection Code. The proposed revisions to the Code herald an important strengthening of consumer protection standards in Ireland.'

He outlined some of the most important changes that will be proposed to enhance the Code, which include new definitions of vulnerable customers, more rigorous suitability requirements on firms, the imposition of strict time limits in dealing with overcharging errors and extending disclosure requirements on commission.

Focusing on the area of financial products he pledged that the Central Bank will build up its capacity to devote more attention to monitoring product developments in the financial services industry. The consultation will include proposals to increase the responsibility of product manufacturers to consider the type of consumer their product is suitable for and the risks involved when designing products. It will also include measures to require firms to improve disclosure standards and make a full disclosure of relevant material information to consumers in a format that can be understood.

He also provided an update on the Central Bank's programme of work as part of the Expert Group on Mortgage Arrears including progress to introduce requirements to implement a Mortgage Arrears Resolution Process for borrowers and the implementation of additional measures to ensure customers in arrears are dealt with fairly by financial services firms. He confirmed that the Central Bank is currently engaged with all mortgage lenders on removing arrears and penalty interest charges.

Describing some mortgage debt as 'simply unsustainable' for some borrowers, he called for a reform of bankruptcy laws and procedures for those who have unsustainable mortgages saying 'reform of our bankruptcy laws and procedures is necessary, overdue and now urgent'.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

New Chairperson of Takeover Panel Announced

19 October 2010

The Governor of the Central Bank of Ireland, Patrick Honohan, has announced the appointment of Mr Denis McDonald, S.C., as Chairperson of the Irish Takeover Panel. Mr McDonald's appointment is effective from today, Tuesday 19 October and is for a three year period.

He succeeds the late Rory Brady, S.C. whose untimely death occurred earlier this year.

Mr McDonald was called to the Bar in July 1986 and called to the Inner Bar in October 2000. Mr McDonald practices primarily in commercial law.

The Irish Takeover Panel is the statutory body responsible for monitoring and supervising takeovers and other relevant transactions in relevant companies in Ireland.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Central Bank Publishes Code of Practice on Related Party Lending

20 October 2010

The Central Bank of Ireland today issued a Code of Practice on Lending to Related Parties which introduces statutory requirements in relation to lending by banks and building societies to related parties. The Code, which replaces previous non-statutory requirements, broadens the definition of a related party and reduces the maximum amount that can be loaned to an individual related party and the aggregate amounts that can be loaned to all related parties. Related parties include a director, senior manager or significant shareholder of the credit institution or an entity in which the credit institution has a significant shareholding, as well as a connected person of any of the aforementioned persons.

The Code has been introduced to seek to prevent abuses arising from exposures to related parties and to address possible conflicts of interest in this area. It requires that such lending is on an arm's length basis, is limited to a percentage of the institution's own funds, and is subject to appropriate and effective management oversight and limits.

The Code requires that:

- Loans to related parties shall not be granted on more favourable terms than comparable loans to non-related parties;
- Loans to related parties or any variation of the terms require prior Board approval or approval by a subcommittee of the Board established specifically to deal with related party lending where that subcommittee reports directly to the Board;
- Actions in respect of the management of such loans (e.g. grace periods, interest roll-up, loan write-off) require prior Board approval or approval by a subcommittee of the Board established specifically to deal with related party lending where that subcommittee reports directly to the Board; and
- Where loans to a related party exceed one million euro the prior approval of the Central Bank is required.

The Code applies to all credit institutions licensed and authorised by the Central Bank of Ireland and it applies to lending in or outside the State. Credit institutions will be required to submit details of related party lending to the Central Bank on a quarterly basis. Non compliance with the Code may be considered under the Administrative Sanctions Procedure.

The Code becomes effective on 1 January 2011.

The Code was subject to a public consultation process. All responses to the consultation were considered and, where appropriate, certain proposals were incorporated in the final version.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Findings of Inspection of Intermediary Firms Compliance with Minimum Competency Requirements

22 October 2010

The Central Bank of Ireland today published the findings of a themed inspection on compliance by intermediaries with the provisions of the Minimum Competency Requirements (MCR). The Central Bank has notified intermediaries of the findings of the inspection and has made a number of recommendations. The findings from the inspection have informed the current review of Minimum Competency Requirements.

Under the MCR, which came into effect on 1 January 2007, firms must ensure that individuals who provide advice on or sell retail financial products or undertake certain specified activities^[1] meet a minimum required competency standard, either through holding a recognised qualification or working in the industry for a specified period of time. In addition, individuals are required to undertake a programme of Continuing Professional Development (CPD) on an ongoing basis and firms are required to ensure that these individuals comply with these requirements.

Of twenty firms inspected, only 25% were found to be fully compliant with the MCR. Three firms were found to have a range of issues, which are being followed up with the individual firms. In the remaining twelve firms, the majority of the breaches found were in relation to a lack of documentation. The findings and recommendations from the theme are as follows:

- A number of firms were found not to have correctly certified grandfathered^[2] individuals. Firms must have procedures in place to ensure that grandfathered individuals who are recruited from another firm in the financial services industry have experience that is relevant to the role they will carry out in the firm. The verification of this must be documented and recorded.
- A number of firms were not monitoring staff compliance with the CPD requirements. Firms must ensure that all staff who are required to meet CPD requirements are monitored on an ongoing basis to ensure that the required amount of CPD is completed and that the CPD is relevant to the staff member.
- Some firms did not retain full documentation of courses attended or logs of CPD hours completed. Firms must ensure that their records are kept up to date and where anomalies exist in CPD records, these must be investigated and addressed as a matter of urgency.
- In a number of firms the Staff Register was found to be incomplete or out of date. Firms must implement procedures to ensure that the register of accredited individuals is kept up to date on an ongoing basis to ensure that consumers are not provided with out of date information.

Compliance issues identified during the inspections are subject to separate engagement with the individual firms concerned. The findings have been incorporated into the Review of Minimum Competency Requirements on which a consultation paper, CP45, was issued 30 June 2010. The closing date for submissions in response to this consultation paper was 13 August 2010.

[1] Specified activities include claims administration, reinsurance intermediation, management of accredited individuals and adjudicating on complaints.

[2] When the requirements were introduced, they included grandfathering provisions for those with experience in the industry. Grandfathered individuals meet a specified level of relevant industry experience and do not require a recognised qualification. These individuals are subject to the ongoing CPD requirements.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Decisions Taken by the Governing Council of the ECB (In Addition to Decisions Setting Interest Rates) October 2010

22 October 2010

The Decisions taken by the Governing Council of the ECB (In addition to decisions setting interest rates) for October 2010 have been published

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Central Bank Publishes Consultation on Proposed Changes to Consumer Protection Code

28 October 2010

New Rules to Strengthen Consumer Protection Measures

The Central Bank of Ireland today published a consultation paper on the statutory Consumer Protection Code (Code), outlining proposed new requirements for regulated firms when dealing with consumers in addition to strengthening existing regulations in key areas. The Code originally came into full effect in July 2007 and the proposed changes are part of an ongoing drive to strengthen consumer protection measures.

Bernard Sheridan, Assistant Director General, Consumer Protection said 'Consumer protection remains a high priority area for the Central Bank and this review of the Code is the most significant strengthening of consumer protection requirements for financial firms since the Code was first introduced three years ago. The new rules and stricter requirements for firms in how they deal with consumers will enhance the level of protection for consumers in their dealings with regulated financial services firms.'

'Some of the main proposed changes to the Code include a definition of a vulnerable customer, more rigorous suitability requirements, the imposition of strict time limits in dealing with overcharging errors and extending disclosure requirements. We will also be building capacity to monitor product developments in the financial services industry and the consultation includes proposals that product producers must, when designing new investment products, identify the target market for which the product is likely to be suitable', he said.

The most significant measures proposed in the revised Code include:

- More prescriptive know the consumer requirements. Firms will be required to gather and record information specifically on the customers' personal circumstances, needs and objectives, financial situation and attitude to risk;
- More rigorous requirements for assessing whether a product or service is suitable for a consumer and meets the consumer's needs and objectives;
- A definition of vulnerable consumer is proposed and firms must apply a greater level of care to a consumer if a vulnerability is identified;
- Enhanced disclosure and transparency requirements;
- New requirements that product producers, when designing new investment products, must identify the target market, the nature and extent of risks inherent in the product and the level, nature, extent and limitations of any guarantees attached to the product;
- New requirements for assessing affordability, including income verification and stress testing repayments. Provisions similar to those proposed for the handling of mortgage arrears are being proposed for handling personal debt; and
- More prescriptive requirements on handling of errors, including requirements that errors must be fully rectified in six months, regulated entities must test internal control systems on

a regular basis, where an error is not resolved within 30 days the error must be reported to the Central Bank and a log of all errors must be maintained within firms.

In addition to seeking views on the significant measures outlined, the consultation also seeks views on specific issues including information that must be given to consumers about products, further limitations on unsolicited contacts with consumers, the treatment of vulnerable consumers and on the operation of the Code of Conduct on the Switching of Current Accounts with Credit Institutions.

The Central Bank is seeking views on the proposed amendments and consultation questions by 10 January 2011 with a view to publishing the revised Code in mid-2011.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Euro Area Bank Lending Survey Q3 2010 - Irish Results

28 October 2010

The results of the Euro Area Bank Lending Survey for Q3 2010, including Irish results, have been published.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Central Bank Publishes Updated September 2010 Money and Banking Statistics

29 October 2010

The Central Bank has today published updated Money and Banking Statistics to the end of September 2010.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

New Corporate Governance Rules for Banks and Insurers

Press Release 8 November 2010

The Central Bank of Ireland today issued the Corporate Governance Code for Credit Institutions and Insurance firms which sets out minimum statutory requirements on how banks and insurance companies should organise the governance of their institutions. The purpose of these new rules is to ensure that robust governance arrangements are in place so that appropriate oversight exists to avoid or minimise the risk of a future crisis. The Code includes provisions on the membership of the Board of Directors, the role and responsibilities of the Chairman and other directors and the operation of various board committees. It will apply to existing directors and boards from 1 January 2011.

Addressing the Chairperson's Forum today, Head of Financial Regulation, Matthew Elderfield, said 'The buck stops with the Board of Directors. We need to learn the lessons of the financial crisis by improving corporate governance practices in the financial services sector in Ireland. These rules deliver stronger standards for banks and insurance companies operating in Ireland. These requirements are more demanding than those in place in other jurisdictions as we have decided that in the area of corporate governance we do not want to simply match best practice internationally but wish to set a higher standard. It's time to bring fresh blood into the board room, which brings more challenge, asks more awkward questions and devotes more time to assessing risk. Depositors, policyholders and, indeed, Irish taxpayers have the right to expect no less from the guardians of their money.'

The Code adopts a two tier approach by imposing minimum core standards upon the boards of directors of banks and insurers in general with additional requirements defined for firms that the Central Bank designates as major institutions.

The Code requirements include:

Boards must have a minimum of seven directors in major institutions and a minimum of five in all others;

- Requirements on the role and number of independent non-executive directors;
- Criteria for director independence and consideration of conflicts of interest;
- Limits on the number of directorships which directors may hold in financial and non-financial companies to ensure they can comply with the expected demands of board membership of a credit institution or insurance company;
- Clear separation of the roles of Chairman and CEO;
- A prohibition on an individual who has been a CEO, director or senior manager during the previous five years from becoming Chairman of that institution;
- A requirement that board membership is reviewed at a minimum every three years;
- A requirement that boards set the risk appetite for the institution and monitor adherence to this on an ongoing basis;
- Minimum requirements for board committees including audit and risk committees;
- A requirement for an annual confirmation of compliance to be submitted to the Central Bank.

The new requirements will apply generally to all credit institutions and insurers based in Ireland (including re-insurance firms but excluding captives). Differentiated standards apply to Irish subsidiaries of foreign regulated firms in a number of areas.

The Code will apply to existing directors and boards with effect from 1 January 2011. Those institutions which may need time to implement changes to systems and structures to become compliant will be given until 30 June 2011 to do so. Where changes to the Board are necessary, this period will be extended to 31 December 2011 to identify and assess suitable candidates with appropriate experience and diversities. Failure to comply with the requirements may be subject to supervisory action and disciplinary procedures by the Central Bank, including sanction under the Administrative Sanctions Framework, criminal prosecution or the Central Bank using its new regulatory powers to refuse to appoint directors, or to suspend, remove or prohibit directors under the Central Bank Reform Act 2010.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Statistics on Securities Issues of Irish financial and Non-Financial Firms - September 2010

11 November 2010

The Central Bank of Ireland, today, published updated statistics on market-based financing activities of financial and non-financial firms incorporated in Ireland at end-September 2010. Issuances of debt and equity securities provide an alternative source of financing to bank-based funding. The dataset contains information on the volume of bonds and notes issued during September, as well as the market valuation of outstanding equity shares by sector of issuer at end-September. The sectors of the issuer are: monetary financial institutions; other financial intermediaries; Government; non-financial corporates; and insurance companies and pension funds.

- At end-September 2010, the outstanding amount of debt securities issued by Irish financial and non-financial firms, and the Government was €1.04 trillion, comprising €789 billion in Euro denominated securities and €257 billion in non-Euro denominated securities. All sectors, with the exception of Government, saw moderations in issuance, reflected in net redemptions of €37.7 billion during September.
- Long-term Government bonds were outstanding at €89.7 billion at end-September, a net increase of nearly €1.5 billion from end-August. These net issuances reflect two bond issues of €500 million and €1 billion on the 21 September 2010, with bid-to-cover ratios of 5.1 and 2.9 respectively. The €500 million bond was issued at an average yield of 4.77 per cent, and €1 billion bond was sold with a higher average yield of 6.02 per cent, reflecting the longer maturity range. €800 million was also raised in two Treasury Bill auctions during September.
- Market-based debt financing for the monetary financial institutions sector contracted across short and long-term debt securities during September. There were total net redemptions of €27.1 billion in debt securities, across both maturity profiles, during the month.
- The debt refinancing activity of the other financial intermediary sector also decreased since end-August. Debt securities amounted to €791.2 billion at end-September for this sector, arising from net redemptions of €14.4 billion during the month. This sector includes entities involved in securitisation, asset finance companies, and treasuries etc., predominantly involved in international financial service activities, for example IFSC type entities.
- The outstanding debt securities of non-financial corporates, and insurance companies and pension funds were €3.6 billion and €2.3 billion, respectively, at end-September 2010.
- Equity securities, excluding investment fund shares/units, had an outstanding amount of €147.6 billion at end-September, mainly comprising equities quoted on stock exchanges. Non-financial corporations are the most significant sector in equity securities.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Settlement Agreement between the Central Bank of Ireland and the Endowment Policy Purchasing Company Limited

11 November 2010

The Central Bank of Ireland (“the Central Bank”) has entered into a Settlement Agreement with effect from 9 November 2010 with The Endowment Policy Purchasing Company Limited (“the firm”), a regulated financial services provider, in relation to breaches of regulatory requirements contained in the Investment Intermediaries Act, 1995 (“IIA”), the Client Asset Requirements (“CAR”) and the Handbook for Authorised Endowment Policy Traders (“Handbook”).

The 7 breaches identified comprised of the firm failing to maintain adequate controls and accounting systems to facilitate effective management and to ensure it was in a position to satisfy supervisory and reporting requirements. In particular:

- Failure to properly designate the firm’s internal record of its client account;
- Failure to obtain a required confirmation from an eligible credit institution, prior to lodging client monies, that the funds are held by the firm as a trustee and will be dealt with in a prescribed manner;
- Failure to carry out daily calculations of client monies in accordance with regulatory requirements and failure to notify the Central Bank that it had not performed the daily calculations;
- 2 instances of failure to correct an error identified during the reconciliation process as soon as possible, and a failure in both instances to notify the Central Bank of such error;
- Failure to provide annual statements to clients.

The Central Bank reprimanded the firm and required it to pay a monetary penalty of €23,500.

These breaches were detected by the Central Bank during the course of an inspection. Once informed of the breaches, the firm undertook immediate remedial steps.

The firm confirms that the breaches did not result in financial loss to any clients.

Industry is reminded that the Central Bank regards compliance with the Client Asset Requirements as a key protection for customers of authorised investment firms. Industry should note that the requirement to perform a daily calculation is in addition to the requirement to carry out reconciliations. Failure to comply with Client Asset Requirements is a contravention of important regulatory safeguards and is viewed seriously by the Central Bank.

The penalties imposed in this case reflect the cooperation of the firm during the course of the investigation and in settling at an early stage in the administrative sanctions procedure.

The Central Bank confirms that the matter is now closed.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Latest Arrears and Repossessions Figures show 5.1% of Mortgage Accounts in Arrears for More Than 90 days

Press Release 17 November 2010

The Central Bank of Ireland today published the latest data on mortgage arrears and repossessions for the period ended September 2010. The figures show that at end September 2010 there were almost 789,000 private residential mortgage accounts held in Ireland to a value of €117.4 billion. Of these 40,472 were in arrears for more than 90 days. Furthermore, the data shows that overall mortgage debt outstanding for private residential mortgages decreased by €316 million since the second quarter of 2010.

1. Arrears Data

As at end September 2010, 40,472 mortgage accounts, or 5.1%, were in arrears for more than 90 days of which 28,049, or 3.6% of the total mortgage accounts, were more than 180 days in arrears. In value terms, €7.8 billion was owed in relation to all accounts more than 90 days in arrears, of which €5.5 billion was owed for accounts more than 180 days in arrears. Mortgage accounts in arrears for more than 90 days increased by 11.1% since the end of June 2010.

There was an increase of 2.1% in the number of formal demands outstanding which have been issued by mortgage lenders bringing the total number outstanding to 5,576. In these cases the level of arrears amounts to €92.8 million on outstanding mortgages totalling just over €1.2 billion. There was also an increase in the level of outstanding arrears cases where court proceedings had been issued to enforce the debt/security on the mortgage. At the end of September 2010 there were 3,054 such cases which is an increase of 1% since the end of June 2010. In these cases the level of arrears amounted to €101.8 million on outstanding mortgages totalling €694 million.

2. Court Proceedings

During the quarter ended September 2010 mortgage lenders applied to Court to commence proceedings to enforce the debt/security in 210 cases. This is an increase of 23.5% on the number of cases reported in the quarter ended June 2010. These 210 cases possess arrears totalling €7.8 million built up on mortgage loans that equate to €76.9 million.

During the quarter 156 enforcement proceedings were concluded. This was a decrease of 27.4% on the number of cases that concluded in the quarter to June 2010. In 98 cases the Courts granted repossession orders which included 3 properties that were voluntarily surrendered and 17 that were abandoned. In the remaining 58 cases where enforcement proceedings were concluded, 39 were settled either by renegotiating the term and/or other conditions of the mortgage. The remainder of these cases were concluded by voluntary surrender or on other terms.

3. Repossessions

At the beginning of the quarter mortgage lenders held a stock of 495 repossessed residential properties. A further 81 were repossessed during the quarter of which 22 were repossessed on foot of Court Orders and 59 were repossessed following voluntary surrender or abandonment.

A total of 54 properties were disposed of during the quarter. This left mortgage lenders with 522 repossessed residential properties at the end of September 2010.

Arrears Data and Prudential Capital Assessment Review

In March 2010, the Central Bank published its Prudential Capital Assessment Review conclusions for the Irish banks, which set base and stress capital requirements. These capital requirements involved an assessment of mortgage portfolio loss rates under a base and stress scenario. Loss rates are not the same as arrears rates and relate to the loss following defaults, based on an assessment of recovery values for properties, the proportion of borrowers that resume payment and other factors. The arrears rates for household mortgages published today imply a portfolio loss rate below the industry average base loss rate used in the PCAR (and well below the stress PCAR portfolio loss rate).

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Decisions Taken by the Governing Council of the ECB (In Addition to Decisions Setting Interest Rates) November 2010

19 November 2010

The Decisions taken by the Governing Council of the ECB (In addition to decisions setting interest rates) for November 2010 have been published

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Firms Examined on Handling of Motor Insurance Claims from Third Parties

Information Release 19 November 2010

The Central Bank of Ireland is today issuing the findings of an inspection of how insurance companies handle motor insurance claims from third parties. Claims processing is one of the main areas in which complaints arise in the non life insurance area. The inspection was carried out to establish if firms had put appropriate practices and procedures in place in line with the claims processing provisions of the Consumer Protection Code. Onsite inspections were conducted in ten firms between May and June 2010, which included the examination of claims files.

The inspection focused on a firms' interaction with the claimant, from the initial notification of a claim through to when the claim was rectified either through repairs or a financial settlement being made. Overall, it was found that there is a high level of compliance by firms with the claims processing requirements of the Code. The inspection found that firms do not treat third party claimants differently to their own policyholders.

Whilst the overall findings were positive the on-site inspections identified some issues in a small number of firms, including:

- In a small number of instances, firms had not complied with the timescale for paying claims, set out by the Code, by a few days. The Code requires that firms pay all claims within 10 business days once conditions have been satisfied.
- The Code requires that a policyholder who is not the beneficiary of a claim is informed that the settlement of the claim will affect future insurance contracts of that type. The examination found some firms provide the policyholder with the required information at the policy renewal stage rather than during the claims processing stage. The Central Bank has advised firms that policyholders should be informed during the claims processing stage, to allow them to consider whether or not to meet the cost of the claim in order to protect their no claims discount, where applicable.
- It was found that some firms inform claimants of the settlement offers verbally rather than in writing, as required by the Code. At all times, the Central Bank expects firms to communicate the outcome of the investigation to the claimant in writing, as required by the Code.
- It was found that in one instance that a claim had been delayed because the firm had not received a completed claim form from the policyholder, even though the firm sent a reminder to the policyholder. The Central Bank would be concerned if the non-completion of a claim form caused unnecessary delays to the consideration of liability to a third party claim.

In general, it was noted that firms provided a reasonable level of assistance to third party motor insurance claimants and endeavoured to pay claims with a minimum of delay once liability for the claim had been accepted. It was also found that some firms offered claimants / policyholders a repair service from a panel of repairers selected by the firm, whilst other firms had put in place an arrangement with a car hire company to ensure that a claimant was not inconvenienced by the loss of use of their motor vehicle.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Statement from Governor Honohan - Central Bank of Ireland

21 November 2010

This evening's announcements allow the course of economic and financial policy to be set on a more secure path. We can be reassured that the Irish banking system retains the support, not only of the Central Bank of Ireland, but of the European Institutions.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Central Bank Data on Investment Funds to September 2010

22 November 2010

The Central Bank today has published its statistics for Q2 2010 and Q3 2010 on investment funds[i] (IFs) resident in Ireland. The information contains detailed quarterly investment fund balance sheet data on outstanding stocks and transactions, along with a monthly breakdown of outstanding shares/units issued by IFs up to end-September 2010, by fund type[ii]. The data are compiled from detailed asset and liability information that is provided to the Central Bank on a fund-by-fund basis.

The data show that the total value of Irish resident investment funds' shares/units in issue increased by €55.3 billion between Q1 2010 and Q3 2010. The funds industry in Ireland represented almost 10 per cent of total shares/units in issue by euro area investment funds in at end-September 2010.

Approximately €37.8 billion of the increase in shares in issue by Irish resident investment funds was due to transactions or inflows, with the remainder due to positive revaluations from exchange rate or market price changes. Shares of over €11 billion were issued by new funds launched during the six months to end-September 2010.

- While the value of shares/units in issue increased in Ireland in Q2 2010, data for the euro area show that the total shares in issue actually declined over the same quarter, primarily in Spain, France and the Netherlands. Financial markets experienced considerable volatility due to investors' concerns about the sovereign debt situation in the euro area.
- Total euro area investment funds' shares increased in Q3 2010 after the level of volatility in financial markets subsided. However, the annual growth rate, adjusted for transactions, declined to 7.1 per cent, from 10.2 per cent in Q2 2010.
- Irish resident investment funds invested 52 per cent of their assets under management in shares and other equities in Q3 2010, including investment fund shares. The geographical distribution of investments differs between shares and other equities, and investment fund shares; 82 per cent of shares and other equities held were issued by non-euro area residents, while over 54 per cent of investment funds' shares/units held were issued by Irish resident investment funds. This may indicate a sizeable presence of funds-of-funds resident in Ireland – this is when an investment fund invests in the shares/units of other investment funds as a method of diversification.
- However, most of the increase in assets held by investment funds over the six months to September 2010 was from securities other than shares, or bonds. While there were positive revaluations of bonds held over the six months, increased investment by investment funds in these instruments accounted for most of the increase. In Ireland, most of this investment during Q2 2010 was in bonds issued outside the euro area, in particular the United States. This was also reflected in the aggregate euro area data. During Q3 2010, however, euro area funds increased their holdings of euro area bonds, in particular those of general government and other financial intermediaries, while Irish investment funds continued to invest in bonds from outside the euro area.
- Nearly three quarters of Irish resident investment funds' assets under management are invested in products that are resident in the rest of the world, i.e. outside the euro area. No sectoral breakdown is available for items from this geographical region. This compares with just under 40 per cent of assets for the total euro area.

- Almost 60 per cent of total Irish investment funds' shares/units in issue were held by non-euro area residents in Q3 2010. A further third were held by other euro area residents, mostly other financial institutions (which include investment funds). Of those shares that were held by Irish residents, nearly half were held by other financial institutions. At an aggregate level, 79 per cent of all shares issued by investment funds in the euro area were held by euro area residents. This is a small decline from 82 per cent in Q4 2008, the first quarter of available data.

Equity Funds

- The value of equity funds' shares in issue fell marginally between the first quarter and second quarter of 2010, but recovered in the third quarter. Over the six months to end-September 2010, shares in issue increased by €10 billion, to €233.8 billion. Negative revaluations caused the decline between Q1 2010 and Q2 2010 but positive revaluations in Q3 2010, as well as inflows of €6 billion into equity funds, accounted for the increase.
- The largest decline in the value of shares in issue in Q2 2010, or the net asset value (NAV), occurred in May. Indices of stock markets from some of the major economies declined during the period. As equity funds are heavily invested in equities, this would impact the value of their shares in issue. The value of total euro area equity funds declined by €69.6 billion in May, and currently their value remain below the level recorded in April 2010.
- While nearly all countries recorded a decline in the value of their equity funds in August 2010, Ireland was one of the few countries to record an increase. This may reflect the different geographical breakdown of where Irish investment funds place their investments, compared with the euro area aggregate. Equity funds in Ireland placed 80 per cent of their investments outside the euro area in Q3 2010; this compares to 61 per cent for all euro area equity funds.

Bond Funds

- There was a substantial rise in the value of bond funds over the six months to end-September 2010; they increased by €32.3 billion, bringing the total value of shares in issue to €151 billion. During the second quarter of 2010, there were positive revaluations of the shares of bond funds, but these were negative during the third quarter of 2010. However, sizeable positive inflows in both quarters ensured that the value of bond funds increased.
- Negative revaluations in Q3 2010 stemmed from a fall in the value of bonds held that were issued in the rest of the world. In particular, a positive increase in the value of bonds issued by European countries outside the euro area was more than offset by a negative revaluation of bonds issued in the United States.

Hedge Funds

- Hedge funds in Ireland account for 50 per cent of total shares in issue in the euro area.
- Changes in outstanding hedge fund shares in issue in Ireland can fluctuate from positive to negative from month to month (see chart).
- In the third quarter of 2010, there were both outflows from hedge funds and negative revaluations that caused the value of shares in issue to decline to €50 billion, from €54.6 billion the previous quarter.
- On the assets side, negative revaluations in hedge funds' holdings of investment funds' shares, and other equities, contributed to the decline in the NAV of Irish resident hedge funds.
- In the euro area, the value of hedge funds' shares in issue declined in Q3 2010 by €7.6 billion. This was caused by the fall in value of hedge funds in Ireland and Luxembourg over the quarter. Revaluations, rather than flows, caused most of the fall in Luxembourg. Like Ireland, this was related to shares and other equities held on the assets side of the balance sheet.

[i] The investment fund data does not include money market funds (MMFs).

[ii] This data was first introduced in the article 'The Investment Funds Industry in Ireland – A Statistical Overview' published in Quarterly Bulletin 1, 2010.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Quarterly Financial Accounts for Ireland: Q2 2010

22 November 2010

The Central Bank today published Quarterly Financial Accounts (QFA) for Ireland. The accounts present a complete and consistent set of quarterly data for all resident institutional sectors in Ireland.[1] They provide comprehensive information not only on the economic activities of households, non-financial corporations, financial corporations and Government, but also on the interactions between these sectors and the rest of the world. The data tables show the financial balance sheet and financial transactions of each of these sectors from Q1 2002 to Q2 2010. An overview of some notable trends in households, Government and non-financial corporations is outlined below.

Household sector results show:

- Irish households continued to reduce the high debt levels incurred prior to the crisis during Q2 2010 through a reduction in borrowing levels, loan repayments and write-offs. This caused net financial wealth to increase for the fifth consecutive quarter. Household net financial wealth had reached €89 billion by Q2 2010, a growth of 54 per cent from Q1 2009. It should be noted that housing and non-financial assets are excluded from QFA data.
- Households have been undergoing a process of deleveraging since late 2009 in order to reduce debt levels. In Q2 2010 this process continued, causing net lending (the difference between financial assets and liabilities) to remain high over the period. However lower investment in financial assets led to a slight decline in household net lending in Q2 compared to Q1 2010. The high household net lending figures indicate that household saving continues to be high in Q2 2010.

Government sector results show:

- Government liabilities fell overall by 3 per cent between Q1 2010 and Q2 2010 despite an increase in promissory note issued. The decline occurred as Government deposit assets were used to repay debt securities and higher bond yields led to a fall in the value of debt securities.
- The Irish Government deficit includes capital injections into Anglo Irish Bank of €4 billion in Q4 2009, €8.3 billion in Q1 2010 and a further €2 billion in Q2 2010. In addition, a capital injection of €2.6 billion is included for Irish Nationwide Building Society in Q1 2010. Results show a reduction in the 4-quarter moving average deficit between Q1 2010 and Q2 2010 of €530 million when capital injections are included and €1.03 billion excluding capital injections.

Non-Financial Corporation sector results show:

- There has been substantial growth in the non-financial corporate sector since 2002. Total assets now stand at €618 billion; while total liabilities stand at €820 billion.
- Results show that net financial wealth has fallen from minus €100 billion in Q1 2002 to minus €200 billion in Q2 2010. However, there was little change in Q2 2010 compared to Q1 2010.
- From Q2 2004 onwards, funding through loans tended to be proportionately higher than equity funding. This trend was reversed in Q4 2009, as credit from monetary financial institutions declined.
- In Q2 2010 the non-financial corporate sector returned to a net lending position, as this sector follows a general trend of deleveraging within the private sector.

[1] The Central Bank will now regularly publish these statistics at t+120 days from end-quarter.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

PCAR PLAR Technical Statement

28 November 2010

Prudential Capital Assessment Review ("PCAR")

1. The Central Bank has set a new minimum capital requirement for Allied Irish Bank, Bank of Ireland, ILP and EBS of 10.5% Core Tier 1. In addition, the Central Bank is requiring these banks to raise sufficient capital to achieve a capital ratio of at least 12% core tier 1 by 28 February, 2011 in the case of AIB, BOI and EBS and by 31 May 2011 in the case of ILP.
2. The Central Bank will require this additional capital to be in the form of equity (or equivalent instruments for EBS).
3. The total capital injection will be €8bn. This figure takes account of the capital impact of further NAMA transfers (see below). This action, along with early measures to support deleveraging, will result in an injection of €10bn of fresh capital into the banking system, above and beyond that already committed.
4. Bank of Ireland, Allied Irish Banks, ILP and EBS will be subject, as previously announced, to a stress test in March 2011 under the Central Bank's PCAR methodology. If, as a result of the PCAR, banks are assessed to be at risk of falling below the 10.5% core tier 1 target then further capital injections will occur.
5. The PCAR will be enhanced by the inclusion of a detailed review, to be conducted by an independent third party, of asset quality in the participating banks. In addition, an independent third party will review the quality of the data banks submit for the PCAR.
6. The Central Bank will conduct a review of the adequacy of provisions in Irish domestic banks. Where required, banks will be required to increase provisions to take account of asset performance.M

Prudential Liquidity Assessment Review ("PLAR")

7. The Central Bank will perform a PLAR for Bank of Ireland, Allied Irish Banks, ILP and EBS in Q1 2011. The PLAR will set bank specific funding targets consistent with Basel III and other international measures of stable, high quality funding.
8. To meet PLAR targets, and also to maximise the efficient utilisation of capital through Risk Weighted Asset ("RWA") reductions, the Central Bank will require Bank of Ireland, Allied Irish Banks, ILP and EBS to put in place detailed asset disposal plans by end-April 2011. These plans will identify measures banks will take to dispose of non-core assets and/or securitize other assets. If required, credit enhancement will be provided by the State.
9. In addition to work the banks undertake, the Central Bank will retain specialist advisors to identify further disposal or securitization measures.

10. The remaining land and development loans of <€20mn will transfer from Bank of Ireland and Allied Irish Bank to NAMA by end-Q1 2011.

Anglo Irish Bank and Irish Nationwide Building Society

11. The restructuring of Anglo Irish Bank and Irish Nationwide Building Society will be swiftly completed by the Department of Finance with the support of the Central Bank and submitted for EU State aid approval.

Special Resolution Regime ("SRR")

12. The Central Bank will continue its preparations for the introduction of the SRR in early 2011.

Credit Unions

13. A significant strengthening of the regulation and stability of the credit union sector will be carried out by end-2011. These measures will be based on the results of the Central Bank's loan book review, the Central Bank's sector-wide stress test and the outputs of the Strategic Review of the credit union sector.

Technical Annex

New capital requirements for the Irish banks

1. On 30 March, 10 September and 30 September 2010, the Central Bank of Ireland ("CB") announced details and updates of the Prudential Capital Assessment Review ("PCAR") for AIB, BOI, ILP and EBS, which included setting new target capital requirements of 8% Core Tier 1, of which 7% must be Equity Core Tier 1, under the base case and 4% Core Tier 1 under the stress case after taking account of expected losses.

2. In setting the capital requirement, the CB has now moved the target capital ratio under the base case from 8% Core Tier 1 to at least 12% Core Tier 1 and taken account of loan losses associated with the transfer of further loans¹ to the National Asset Management Agency ("NAMA"). In addition, the ongoing minimum capital requirement for AIB, BOI, EBS and ILP will be set at 10.5% Core Tier 1.

3. The additional capital requirements for the individual banks as a result of this amendment are summarised in Table 1 and set out in more detail below:

Table 1 – Capital Results

€'m	Additional CT1 Capital required	Total CT1 Capital still to be raised ²	Estimated ³ impact of capital injection to CT1 ratio
AIB	5,265	9,765	14.0%
BOI	2,199	2,199	12.5%
EBS	438	963	13.5%
ILP	98	243	12.7%
Total	8,000	13,170	

1 Loans eligible to transfer to NAMA with value less than €5m and between €5m and €20m.

2 This includes the original PCAR requirement that has yet to be raised and the additional requirement as a result of this update.

3 Based on the latest information available and the bank's own estimates, the Core Tier 1 ratios of the banks at yearend 2010 are estimated assuming capital required is injected immediately, and where relevant, the completion of NAMA transfers and proceeds of divestments agreed and announced. The buffer in terms of the estimated Core Tier 1 ratio above the PCAR base case benchmark of 12% reflects the capital required for loss absorption on an individual bank by bank basis.

Individual capital requirements

Allied Irish Banks plc ("AIB")

The capital requirements resulting from the PCAR exercise previously announced were:

a. An additional €7.396bn⁴ of equity capital to meet the base case target of 7% equity, before taking account of projected asset disposals; and

4 Taking account of the additional capital requirement announced 30 September 2010. In the case of AIB, the NAMA haircut for Tranche 2 and the estimated haircuts for all remaining Tranches were higher than the first tranche used for the PCAR exercise. The Central Bank therefore advised AIB on 30 September that it was required to raise an additional €3 billion.

b. €4.865bn of Core Tier 1 capital, less any equity generated under paragraph 1 excluding conversion of preference shares held by the Government, to meet the base case target of 8% Core Tier 1. This additional Core Tier 1 capital will also satisfy AIB's stress case target of 4% Core Tier 1.

AIB is now required to raise an additional €5.265bn Core Tier 1 capital. Taking account of the capital AIB has still to raise under its capital plan, the bank has now to raise €9.765bn of Core Tier 1 capital by end-February 2011.

The Governor & Company of the Bank of Ireland ("BOI")

The capital requirements resulting from the PCAR exercise previously announced were:

- a. An additional €2.66bn of equity capital to meet the base case target of 7% equity; and
- b. In meeting this requirement provided at least €0.25bn of new Core Tier 1 is raised, then Bank of Ireland also meets (a) the base case target of 8% Core Tier 1, and, (b) the stress target of 4% Core Tier 1.

BOI is now required to raise an additional €2.199bn Core Tier 1 capital by end-February 2011.

EBS Building Society ("EBS")

The capital requirements resulting from the PCAR exercise previously announced were:

- a. An additional €875m of Core Tier 1 capital to meet the base case target of 8% Core Tier 1; and
- b. Contingent capital of €120m of Core Tier 1 capital to meet the stress case target of 4% Core Tier.

EBS is now required to raise an additional €438m Core Tier 1 capital. Taking account of the capital EBS has still to raise under its capital plan, the bank has now to raise €963m of Core Tier 1 capital by end-December 2010, a per the original PCAR requirement.

Irish Life & Permanent plc ("ILP")

The capital requirements resulting from the PCAR exercise previously announced were:

- a. Not required to raise any additional capital in respect of the base case, as it meets the 8% Core Tier 1 and the 7% Equity Tier 1 requirement under the base case; and
- b. An additional €145m of Core Tier 1 capital to meet the stress case target of 4% Core Tier 1.

ILP is now required to raise an additional €98m Core Tier 1 capital. Taking account of the capital ILP has still to raise under its capital plan, the bank has now to raise €243m of Core Tier 1 capital, by end-May 2011, a per the original PCAR requirement.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Central Bank of Ireland Statement

28 November 2010

Central Bank Welcomes Agreement

The Central Bank of Ireland today welcomed the agreement of the Programme for Support negotiated by the Irish Government with the European Commission, European Central Bank and the IMF.

Governor Patrick Honohan said:

“The support of the European Commission, European Central Bank and the IMF underpins a clear economic and financial policy path for Ireland. The first steps on this path have already been taken. The backstop funding now available means that those policies – both fiscal and banking – can be fully implemented and that market confidence returns. The international authorities have demonstrated their confidence that Ireland can bring its debt dynamics under control. The programme also endorses the current policy approach to banking. It provides the necessary assurance to achieve a convincing and rapid reconfiguration and downsizing of the banks, putting the Irish banking system on a convincingly secure footing. The Central Bank will continue to provide all necessary support to the system”.

Head of Financial Regulation, Matthew Elderfield, said:

“The measures announced today provide an immediate and significant strengthening of the capital position of the Irish banking sector and mean that considerable contingent capital facilities are also in place as a further backstop for the banks. Similarly, the programme of deleveraging that is being accelerated will ensure the banking system is smaller and fitter, with better compliance with international liquidity standards. These actions will result in a stronger and more stable banking system for the benefit of depositors and investors.”

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Central Bank of Ireland Statement - Anglo Irish Bank

29 November 2010

As outlined by Governor Patrick Honohan on RTE today, the Central Bank is working on a proposal, agreed with the other authorities as part of the package of measures, to submit a revised restructuring proposal in compliance with EU competition law for Anglo Irish Bank. The objective is to submit and agree this by the end of January 2011, this timeline has been agreed between the Irish authorities and the EU Commission. Any wind-down of the loan book of Anglo would however be over a multi-year period as in the current restructuring. These measures are designed to provide an orderly resolution for the future of Anglo in a manner that is consistent with EU competition law and agreed with the European Commission.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Central Bank Publishes Updated October 2010 Money and Banking Statistics

30 November 2010

The Central Bank has today published updated Money and Banking Statistics to the end of October 2010.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Review of Remuneration Policies and Practices in Irish Retail Banks and Building Societies

1 December 2010

The Central Bank of Ireland today published the findings of a review of remuneration policies and practices in a number of Irish retail banks[1]. The review assessed whether banks have changed how they remunerate employees, particularly those in senior executive positions, to reflect incoming regulatory standards and the lessons of the crisis. In particular, it examined if banks have ended remuneration practices which fostered inappropriate risk taking or inadequate risk management. The review was conducted in September and October 2010.

Commenting on the review, Jonathan McMahon, Head of Financial Institutions Supervision at the Central Bank of Ireland said, 'We conducted this review to determine whether banks have ceased those remuneration practices which fostered inappropriate risk taking and inadequate risk management in the 2000s. While the majority of banks have started to reform their remuneration policies and practices, the balance of our findings is discouraging, with only one bank having taken an obvious lead. If a bank is not employing the right financial incentives, it is not managing its risks – it's as simple as that. We expect banks to have dealt with these issues when we review their remuneration practices again in 2011.'

The main findings from the review include:

- There is little evidence that banks have self-consciously made a link between their risk appetite and their incentive structures. This exposes banks and, by extension the State, to the consequences of inappropriate risk taking;
- The governance and oversight of remuneration practices is poor. Non-executives need to step-up their scrutiny of remuneration arrangements, and in particular make sure that senior executives' remuneration is aligned to a bank's willingness and capacity to take risk;
- In the majority of banks, procedures to determine remuneration are not clear, well documented or internally transparent. There was little evidence of consideration of risk, or collaboration with risk management functions to ensure remuneration policies are aligned with long term strategic plans;
- The majority of banks were found to have given little or no consideration to preparing for the implementation of impending European requirements and guidance on remuneration, which will become effective in Ireland on 1 January 2011. The Central Bank of Ireland expected to find that banks were much more advanced in their arrangements for compliance with these important requirements;
- Some banks are tightening their approach to paying guaranteed bonuses. There is also some evidence of tightening of severance pay, with some banks imposing stricter conditions on golden parachutes. There is, though, further to go;
- All banks reviewed disclose certain information on remuneration externally, but there is little evidence of banks moving to the fuller disclosure required by incoming regulations and guidance from the EU.

Issues identified in the review are being followed up individually with institutions.

The Central Bank of Ireland is committed to achieving a robust framework for ensuring that banks operating in Ireland have remuneration policies that are consistent with prudent risk taking and will conduct a follow up review in this area in 2011 to assess compliance with the new European and domestic regulations. The new legal requirements will mean that enforcement action can be taken for non-compliance.

[1] The term 'banks' refers to Irish retail banks and building societies.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Developments in Private Sector Credit by Economic Activity - September 2010

2 December 2010

The Central Bank has today published the Developments in Private Sector Credit by Economic Activity September 2010.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

New Measures to Protect Mortgage Holders Facing Arrears

6 December 2010

Revised Code of Conduct on Mortgage Arrears Published

The Central Bank of Ireland today issued its revised Code of Conduct on Mortgage Arrears (CCMA) for all regulated mortgage lenders. The CCMA has been revised in light of the recommendations of the Government's Expert Group on Mortgage Arrears and Personal Debt and other issues which have arisen since the original CCMA's introduction in February 2009.

The Central Bank has also added a new provision in the CCMA on arrears charges. Lenders have been directed not to impose arrears charges or surcharge interest on borrowers who are in arrears and who are co-operating with the new Mortgage Arrears Resolution Process (MARP) with effect from 1 January 2011.

The revised CCMA includes more detailed requirements for lenders when dealing with borrowers experiencing arrears and financial difficulties. The most significant changes in the revised CCMA include:

- the CCMA will now apply to borrowers who notify their lender that they are facing financial difficulties and may be at risk of mortgage arrears i.e. pre-arrears cases;
- lenders must establish a Mortgage Arrears Resolution Process (MARP) and use this framework when dealing with arrears and pre-arrears customers;
- lenders must ensure that communications with borrowers are presented in a clear and consumer-friendly manner and must make available to borrowers an information booklet which provides details on the MARP;
- lenders cannot initiate more than three unsolicited communications with a borrower, by whatever means, in a calendar month other than correspondence required by the CCMA or other regulatory requirements;
- a lender must not require a borrower to change from an existing tracker mortgage to another mortgage type, as part of an alternative arrangement offered to the borrower in arrears or pre-arrears;
- lenders are required to set up an Arrears Support Unit (ASU) to assess arrears and pre-arrears cases;
- borrowers can now make an appeal in relation to the decision of the ASU and the lender's treatment of the borrower's case under the MARP process, to an internal Appeals Board which lenders are required to establish;
- the complaints process under the Consumer Protection Code is replaced with an Appeals process under the CCMA; and
- when a lender is determining the 12 month period it must wait before applying to the courts to commence legal action, it must exclude any time period during which a borrower is complying with the terms of an alternative repayment arrangement, making an appeal to the internal appeals Board or making a complaint to the FSO under the CCMA.

Commenting on the publication of the revised CCMA, Bernard Sheridan, Assistant Director General, Consumer Protection, said, 'The revised CCMA published today introduces new measures to protect people in arrears. It aims to ensure that all lenders use a fair and more consistent approach when dealing with customers in arrears or facing the possibility of arrears. It also recognises the importance of lenders working with borrowers to meet their mortgage obligations and for borrowers, who co-operate and engage with their lender, to be protected when they are trying to address their situation'.

The CCMA will apply to mortgage lenders with effect from 1 January 2011. Lenders will be allowed a six month period (ending 30 June 2011), where the Central Bank of Ireland will be cognisant of issues relating to systems development or other technical difficulties and required staff training. Failure to comply with the revised CCMA may result in sanctions under the Administrative Sanctions Framework.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Domestic Irish Banks Consolidated Foreign Claims – September 2010

9 December 2010

The Central Bank of Ireland today published a new dataset on the domestic Irish banking system claims on the rest of the world.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Statistics on securities issues of Irish financial and non-financial firms - October 2010

10 December 2010

The Central Bank of Ireland, today, published updated statistics on market-based financing activities of financial and non-financial firms incorporated in Ireland at end-October 2010. Issuances of debt and equity securities provide an alternative source of financing to bank-based funding. The dataset contains information on the volume of bonds and notes issued during October, as well as the market valuation of outstanding equity shares by sector of issuer at end-October. The sectors of the issuer are: monetary financial institutions; other financial intermediaries; Government; non-financial corporates; and insurance companies and pension funds.

- At end-October 2010, the outstanding amount of debt securities issued by Irish financial and non-financial firms, and the Government was €1.05 trillion, comprising €784 billion in Euro denominated securities and €264 billion in non-Euro denominated securities. Following moderation of issuance in September across most sectors of the economy, the issuance of debt securities by the OFI sector rebounded slightly during October. The redemptions of securities by the banking sector continued during the month.
- Long-term Government bonds remained outstanding at €89.7 billion at end-October.
- Market-based debt financing for the monetary financial institutions sector contracted across both short and long-term debt securities during October. There were total net redemptions of €13 billion in debt securities, across both maturity profiles, during the month.
- The debt refinancing activity of the other financial intermediary sector increased during October. Debt securities amounted to €806 billion at end-October for this sector, arising from net issuances of nearly €15 billion during the month. This sector includes entities involved in securitisation, asset finance companies, and treasuries etc., predominantly involved in international financial service activities, for example IFSC type entities.
- The outstanding debt securities of non-financial corporates, and insurance companies and pension funds were €4 billion and €2.2 billion, respectively, at end-October 2010.
- Equity securities, excluding investment fund shares/units, had an outstanding amount of €159.9 billion at end-October, mainly comprising equities quoted on stock exchanges. Non-financial corporations are the most significant sector in equity securities.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Lending to Irish Small and Medium Sized Enterprises: Q1-Q3 2010

14 December 2010

The Central Bank has today published figures for Lending to Irish Small and Medium Sized Enterprises: Q1-Q3 2010.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Lending to Irish Small and Medium Sized Enterprises: Q1-Q3 2010

14 December 2010

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Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Settlement Agreement between the Central Bank of Ireland and NCB Stockbrokers Limited

21 December 2010

The Central Bank of Ireland (“the Central Bank”) has entered into a Settlement Agreement with effect from 16 December 2010 with NCB Stockbrokers Limited (“the firm”), a regulated financial services provider, in relation to breaches of Regulation 112 of the European Communities (Markets in Financial Instruments) Regulations 2007 (“MiFID”).

The two breaches identified comprised of the firm failing to report details of transactions in financial instruments admitted to trading on a regulated market or a multilateral trading facility operated by a market operator, as follows:

- From August 2008 to June 2010, the firm incorrectly reported a number of transactions on a net basis. It failed to report details of 158,197 transactions in financial instruments, and reported 44,003 transaction report incorrectly; and
- From November 2007 until June 2010, the firm failed to include the correct trading capacity of the firm in 1,222 transaction reports, stating itself to be Agent where it was in fact Principal.

These breaches were detected by the Central Bank during the course of inspection of reported transaction data.

The Central Bank reprimanded the firm and required it to pay a monetary penalty of €100,000.

The details are that from 1 November 2007 the firm, like other stockbrokers and MiFID-authorized firms, was obliged to provide transaction reports on its trading activity. However, in 2008, the firm made changes to its I.T. systems and subsequently reported a large number of institutional market side trades on a net end-of-day basis. Regulation 112 of the MiFID provides that each trade must be reported and does not allow for net reporting.

Additionally, the firm incorrectly reported its trading capacity on a small number of transaction reports submitted to the Central Bank between 1 November 2007 and 1 June 2010. These transactions were reported as being executed in an Agency capacity rather than as Principal.

The breaches were unintended and once the firm became aware of the breaches, they quickly undertook remedial steps, and submitted all transaction reports correctly.

The penalties imposed in this case reflect the firm’s proactive conduct, full cooperation during the course of the investigation and settling at an early stage in the administrative sanctions procedure.

Accurate transaction reporting is essential to the Central Bank in effectively monitoring market abuse and financial crime. The Central Bank has previously warned firms of the danger of implementing IT changes without first having properly assessed the impact on meeting their regulatory transaction reporting requirements. Regulated firms planning to implement operational, including IT, changes should perform an impact assessment to verify that the changes do not impede compliance with regulatory requirements.

The Central Bank confirms that the matter is now closed.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Settlement Agreement between the Central Bank of Ireland and Allied Irish Banks plc

21 December 2010

The Central Bank of Ireland (“the Central Bank”) has entered into a Settlement Agreement with effect from 17 December 2010 with Allied Irish Banks plc (“the firm”), a regulated financial services provider, in relation to breaches of regulatory requirements contained in the Consumer Protection Code (“the Code”) and the European Communities (Licensing and Supervision of Credit Institutions) Regulations, 1992 (“the Regulations”).

Three breaches of the Code were identified, comprising of the firm failing for a number of years to:

1. Act with due skill, care and diligence in the best interest of its clients in that there was unacceptable delay in notifying customers of overcharging and in restituting those customers.
2. Have in place adequate systems and controls to ensure compliance with the Code in relation to 1 above.
3. Ensure that the firm did not charge customers a fee for any optional extra(s) offered in conjunction with a product or service where the customers changed their minds in relation to the purchase of optional extra(s), in this instance the sale of payment protection insurance in conjunction with credit cards.

These failures to prioritise and direct adequate resources to the rectification of the issues identified has resulted in undue delays in restitution to affected customers.

The breach of the Regulations comprised of the firm failing, for a number of years, to have in place robust governance arrangements specifically by failing to have adequate internal control mechanisms to prevent and rectify frequent and many instances of overcharging.

The Central Bank reprimanded the firm and required it to pay a monetary penalty of €2,000,000.

The majority of these overcharging instances are historic in nature. Most affected customers have been refunded with appropriate interest. The firm has undertaken to repay, with appropriate interest, all those outstanding amounts that have not already been repaid.

The penalties imposed in this case reflect the numbers of errors involved, the amount of money involved and the number of consumers affected by the errors over an extended period of time. The Central Bank has taken into account:

- that the firm reported these failures to the Central Bank;
- the progress being made in putting structures and systems in place to address these failures;
- the co-operation of the firm during the course of the resolution of the matter and in settling at an early stage in the administrative sanctions procedure.

The Central Bank confirms that the matter is now closed.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Central Bank Publishes Enforcement Strategy 2011-2012

21 December 2010

The Central Bank has today published its Enforcement Strategy which sets out the enforcement regime of the newly established Enforcement Directorate for 2011-2012.

Details of two Settlement Agreements between the Central Bank and NCB Stockbrokers Limited and Allied Irish Banks plc, with a cumulative monetary penalty of €2.1 million imposed have also been published. The strategy also sets out the structure of the new Enforcement Directorate, and how it will conduct its work over the next two years.

The key objectives of the Strategy include:

- Improving effective compliance through the robust application of the enforcement powers of the Central Bank.
- Enforcement activity prioritised in accordance with the risk profile of the financial institution to ensure that enforcement resources will be directed to those areas where it is perceived that the greatest risks lie. Where the Central Bank does not have an active supervisory relationship with large groups of smaller firms, enforcement action can have a powerful deterrent effect and enforcement action will be taken against lower risk firms where circumstances warrant it.
- An increased focus on the actions of persons involved in the management of financial institutions.

Commenting on the publication of the strategy, Peter Oakes, Director of Enforcement, said, 'We are committed to the restoration of credibility in financial institutions and financial markets. The establishment of a dedicated Enforcement Directorate is a significant demonstration of this commitment and will help us achieve our statutory objective of effective regulation while ensuring that the best interests of consumers are protected. Regulated firms can expect increased enforcement activity, based upon our existing powers, new powers under the Central Bank Reform Act 2010 and additional enforcement powers proposed for 2011. We will not hesitate to use the full extent of our sanctioning powers where necessary.'

Head of Financial Regulation Matthew Elderfield, Head said, 'The enforcement actions we are announcing today, along with the publication of our Enforcement Strategy, show that the Central Bank is determined to use enforcement action to improve standards of compliance in the financial services industry. The boards of directors and senior management of financial services companies operating in Ireland need to satisfy themselves that they are operating in accordance with regulatory standards in order to avoid the reputational and financial costs of possible enforcement action.'

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Central Bank Publishes Consultation on Impact Metrics for the Risk Based Supervision of Financial Firms and on Impact Based Levies

22 December 2010

Financial Firms and on Impact Based Levies

The Central Bank of Ireland today published the consultation paper 'Consultation on Impact Metrics for the Risk Based Supervision of Financial Firms by the Central Bank and on Impact Based Levies'. The paper outlines proposed metrics that could be used to enable the categorisation of all regulated entities based on inherent impact. It sets out how the Central Bank plans to use such measures to categorise firms into different groups to which different supervisory approaches will be applied.

The use of impact metrics is a key component of the Central Bank's strategy to enhance its supervision programme and fulfil its responsibilities to mitigate prudential risk and protect consumers. Whilst the risk of a serious supervisory or consumer related issue arising at a firm is largely unrelated to the size of the firm, the occurrence of such an event at a large firm will have a far more material impact on the Irish economy and State than an equivalent event at a small firm. Given this, the Central Bank believes it is necessary to adopt an enhanced long term approach to the supervision of all large, or high impact, firms.

The purpose of the consultation paper is to set out the key metrics that can be used in an impact-based supervision model to indicate a firm's potential to do harm. These will be largely quantitative measures such as the number of customers or total assets. The Central Bank plans to use these measures to inform the allocation of supervisory resources and the levies firms pay.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Central Bank of Ireland Issues Warning on Investment Firm (Rooney Gallagher Private Equity Partners LLC)

22 December 2010

The Central Bank of Ireland today published a warning notice on Rooney Gallagher Private Equity Partners LLC (Ireland and Hong Kong). The firm is not authorised as an investment firm in Ireland and has been claiming or holding itself out to be an investment firm in the State. The notice is published today in Irish daily newspapers under the European Communities (Markets in Financial Instruments) Regulations 2007.

It is a criminal offence for an investment firm to operate in Ireland unless it has an authorisation from the Central Bank of Ireland. Clients of unauthorised firms are not eligible for compensation from the Investor Compensation Scheme.

Any person wishing to contact the Central Bank of Ireland with information regarding such firms may telephone (01) 224 4000. This line is also available to the public to check if an investment firm is authorised. Since obtaining the necessary legal powers in August 1998, 83 warnings naming 156 firms have been issued.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Central Bank Publishes Updated November 2010 Money and Banking Statistics

30 December 2010

The Central Bank has today published updated Money and Banking Statistics to the end of November 2010.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem