



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

Press Releases

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Central Bank Appoints Advisers for Prudential Capital and Liquidity Exercises

6 January 2011

The Central Bank of Ireland announced today (6 January 2011) that it has appointed three expert external advisers to assist it to execute the Prudential Capital Assessment Review (PCAR) and Prudential Liquidity Assessment Review (PLAR) in 2011:

- BlackRock Solutions will perform reviews of asset and data quality of those banks participating in the PCAR and PLAR.
- The Boston Consulting Group will provide project management resources for the Central Bank's Financial Measures Implementation Project. It will also contribute advice for the PCAR and PLAR.
- Barclays Capital will provide advice on banking sector structure issues. It will also contribute advice on matters arising from the PCAR and PLAR.

Further information:

The Central Bank announced in November that a new minimum capital requirement has been set for Allied Irish Bank, Bank of Ireland, ILP and EBS of 10.5% Core Tier 1, under its PCAR requirements. 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.

It was also announced that 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.

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 - November 2010

12 January 2011

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-November 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 November, as well as the market valuation of outstanding equity shares by sector of issuer at end-November. The sectors of the issuer are: monetary financial institutions; other financial intermediaries; Government; non-financial corporates; and insurance companies and pension funds.

- At end-November 2010, the outstanding amount of debt securities issued by Irish financial and non-financial firms, and the Government was €1.07 trillion, comprising €790 billion in Euro denominated securities and €281 billion in non-Euro denominated securities. Following a decline in debt issuance during September and October across most sectors of the economy, the issuance of debt securities by the OFI sector rebounded significantly in November. The pace of redemptions by the banking sector of debt securities moderated during the month.
- Long-term Government bonds remained outstanding at €89.97 billion at end-November.
- Market-based debt financing for the monetary financial institutions sector declined across both short and long-term debt securities during November, albeit at a slower pace than the previous two months. There were total net redemptions of €5.3 billion in debt securities, across both maturity profiles of this sector, during the month.
- The debt refinancing activity of the other financial intermediary sector increased during November. Debt securities amounted to €833.7 billion at end-November for this sector, arising from net issuances of nearly €27.6 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. The National Asset Management Agency is also included in this sector.
- The outstanding debt securities of non-financial corporates, and insurance companies and pension funds were €4.2 billion and €4.3 billion, respectively, at end-November 2010.
- Equity securities, excluding investment fund shares/units, had an outstanding amount of €164.8 billion at end-November, 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 Issues Coin Set Celebrating Irish salmon

12 January 2011

The Central Bank of Ireland today launched a limited edition coin set for 2011 in celebration of the Irish salmon which first appeared on Irish coins in 1928.

The set is the second in a series of three limited edition annual mint coin sets issued by the Central Bank in honour of animals that have previously appeared on Irish coinage. Based on the original coin designs by the late sculptor and medallist, Percy Metcalfe (1895-1970), the first set featured the horse while the third in the series will pay tribute to the hound. Each set in the series is followed by a silver proof €15 coin. The salmon is deep rooted in Irish history and tradition and has captivated anglers for centuries. Along with the horse and the hound, the series of coins pays tribute to three iconic animals which have important historical connections with Ireland.

The collector set, which has an issue limit of 20,000 units, is presented in a special display folder and contains each of the eight euro coins in uncirculated quality. The set is available to purchase from 12 January at a cost of €25 per set directly from the Central Bank of Ireland, Dame Street, Dublin 2. Alternatively orders can also be placed by calling 1890 307 607 (lo-call within Ireland) or downloading an order form our website.

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

Central Bank of Ireland Announces Head of Financial Regulation's Appointment to EIOPA Management Board

14 January 2011

The Central Bank of Ireland announced today that the Head of Financial Regulation, Matthew Elderfield, has been elected to the Management Board of the European Insurance and Occupational Pensions Authority (EIOPA).

The Management Board comprises eight members, including six representatives of national supervisory authorities of European Member States, one representative of the European Commission and the Chairperson of EIOPA. The Management Board is responsible for ensuring EIOPA carries out its mission and performs the tasks assigned to it and propose an annual and multi-annual work programme for the agency.

Matthew Elderfield is also a member of the Executive Committee of the International Association of Insurance Supervisors.

The Central Bank of Ireland is also represented on the Board of Supervisors of EIOPA, the European Banking Authority (EBA) and European Securities and Markets Authority (ESMA) along with the European Systemic Risk Board (ESRB).

The bodies are part of the European System of Financial Supervisors which was established as part of reforms to the structure of supervision of the financial sector in the European Union. The Authorities replace the former CEBS, CEIOPS and CESR supervisory committees.

- EIOPA is responsible for supervisory issues related to insurance and occupational pensions matters. Its core responsibilities are to support the stability of the financial system, transparency of markets and financial products as well as the protection of policyholders, pension scheme members and beneficiaries.
- ESMA, which covers the securities market, contributes to ensuring the integrity, transparency, efficiency and orderly functioning of securities markets, as well as enhancing investor protection.
- EBA covers the banking sector and will contribute to ensuring a high quality, effective and consistent level of regulation and supervision for the sector. It will also promote transparency of markets and financial products and the protection of depositors and investors.

Central Bank Announces New Requirements for Banknotes in Circulation

26 January 2011

The Central Bank of Ireland announced today the implementation of European Central Bank requirements for banknotes in Ireland.

The requirements, introduced by the ECB in Decision ECB/2010/14 (the Decision), which is based on the principles of the earlier Banknote Recycling Framework, came into effect from 1 January 2011.

The Decision sets new requirements on all credit institutions and professional cash handlers in Ireland and the eurozone, including banks, building societies, credit unions and post offices. Retailers who fill in-store ATMs, cash in transit companies and bureaux de change are also obliged to meet the requirements. They must ensure that all banknotes intended for circulation have been checked for authenticity and meet specified fitness standards.

All banknotes circulated through ATMs must be checked for authenticity using a banknote handling machine successfully tested on behalf of the ECB. Banknotes circulated 'over the counter' may be checked by trained staff.

The purpose of the requirements is to ensure that banknotes in circulation throughout the eurozone are of a consistent quality and standard, which should make it easier for members of the public to identify counterfeit notes and reduce the level of unfit banknotes in circulation.

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

Central Bank Publishes Quarterly Bulletin 1 2011

31 January 2011

The Central Bank today published its Quarterly Bulletin 1 2011.

Comment

Following the severe setbacks in employment, output and the fiscal accounts over recent years, aggravated by the heavy actual and prospective losses that have become evident in the banking sector, an adverse shift in international market sentiment drove yields on Irish debt in November 2010 to levels that could not be supported by either public or private sector borrowers. Under these circumstances, prompt recourse to the financing facilities of the EU and the IMF was clearly essential.

Supported by the funding made available from the EU-IMF Programme, Ireland now has a window of time in which to convince international markets that its fiscal adjustment is well under control, that risks in the banking system are contained and the banks' balance sheets scaled down, and that the economy's competitiveness improvements have been consolidated.

Focusing as it does mainly on macroeconomic and financial developments, this Comment is not the place for a comprehensive discussion of the full range of growth-oriented policies that need to be brought into play and reinforced at this time of urgent consolidation and reform. The overall package of policy actions agreed under the Programme are in the direction needed to ensure a return to sustainable economic growth. However, the pace and timing of any pick up cannot be forecast very precisely. In particular, the degree to which a net withdrawal of some fiscal demand could be offset by private sector and international factors is especially difficult to gauge precisely.

Taking everything into account, the Bank's central scenario is that, after three years of significant contraction, the Irish economy will begin to grow gradually again in 2011. Although the beginnings of a turnaround in employment levels cannot be expected until late this year, recovery in overall economic activity is expected to gain momentum during 2011 and 2012. In 2011, GDP growth is projected to be in the region of 1 per cent, rising to around 2.3 per cent in 2012. GNP is expected to be broadly unchanged this year, with a return to positive growth, in the region of 1.5 per cent, projected for 2012. These projections represent a significant downward revision to those published in the last Quarterly Bulletin, which were compiled on the basis of a much smaller €3 billion fiscal consolidation in 2011 than the one currently budgeted, and on the basis of continued market access to funding on reasonable terms. While this is the Bank's central scenario, a range of both stronger and weaker outcomes are, of course, quite plausible.

The already evident divergence in sectoral performance across the economy is set to continue, with growth likely to be largely confined to the export sector in 2011. Thus, the gradual return to overall output growth will reflect the growing contribution from the external side beginning to outweigh the still negative – albeit less so – impact of domestic factors.

Although the global economic recovery slowed in the second half of last year, the outlook is for global growth momentum to recover gradually as this year progresses. Projections from the main international forecasting agencies suggest that, while growth in Ireland's main export markets will be lower in 2011 than last year, it will still be sufficient to support relatively strong export growth. With import growth likely to remain relatively sluggish, the net contribution to growth from external trade will likely be significant. The overall current balance is also projected to move into surplus this year.

The prospects for domestic demand remain subdued. While the contraction in consumer spending is beginning to moderate, the underlying determinants of consumption are likely to remain weak. With employment projected to continue to fall slightly in 2011, with the effect of higher taxes on disposable incomes, and with households seeking to reduce their indebtedness, consumer spending is forecast to contract further this year. Beyond 2011, the recovery in consumption is likely to be slow and gradual. Labour market trends support this view, with only a modest rise in employment projected for next year. With respect to investment, while the rate of contraction is set to moderate, both the ongoing adjustment in the construction sector and planned adjustment in public capital spending imply that the outlook for 2011 is for a further marked fall in spending.

Negotiation of an external funding agreement does not in itself, of course, remove the medium-term policy challenges; nor indeed does it materially alter the nature of available solutions. For example, as regards the public finances, closing the large gap that opened up between revenue and expenditure during the downturn remains the key priority. Even in the absence of a such an adverse turn in financial market sentiment, and even if the costs of meeting the losses of the guaranteed banks could be ignored, the gap that had suddenly opened between government income and expenditure, was always going to have to be reduced so that the evolution of debt could be brought under control. Of course, if the costs of the banking sector support had been substantially lower and if there had been less tension in sovereign debt markets, this would have afforded the country more time to make the adjustment. It would not, however, have removed the necessity for what is probably best described as a 'renormalisation' of the government finances. Government had become too dependent on sources of revenue that would not outlive the property boom, and indeed had narrowed the income tax base. Government spending too rose very rapidly in the boom. The fiscal adjustments of the past couple of years, and those announced in the Budget, move in the direction of correcting these deviations from what can be sustained on a long-term basis. The overall aim now must be to continue moving to a situation in which reasonable tax rates are applied to a broader stable base with revenue close to matching expenditure, the position that obtains in most countries over time.

As regards the banking sector, the policies agreed under the Programme can also be seen as essentially an intensification of the pre-existing approach rather than a radical departure. The first element consists of putting as much detailed information on the condition of banks' balance sheets and their prospective profitability in the public domain as possible. The Central Bank is updating the Prudential Capital Adequacy Review (PCAR) exercise, to take account of additional information and updated overall economic prospects. This PCAR will be externally validated and will provide the basis for an assessment of what additional capital is required to meet the much higher capital standards now being proposed for the banks in the context of the EU-IMF Programme. It should also help to address fears about tail risks in the balance sheets of banks. At the same time, a programme of deleveraging will be put in place that will see the banks' balance sheets being reduced in size by the sale of assets which will, in turn, improve their funding position and allow them to attain, in time, the liquidity standards being set for later in the decade as part of the Basel III exercise. The central reason for pursuing all these actions is to enhance the stability of the banking sector and put it in a position to assist in the recovery of the economy, rather than being a source of risk and cost. While the property and construction markets will remain weak for a protracted period, this should not be a reason for deferring action that can help bring sustainable conditions back to these markets.

The next most important single factor in determining the pace and strength of the recovery in the economy, however, is surely the restoration of its competitiveness. Clearly this requires broad action across a broad range, not all of which is closely connected with the macroeconomic and financial policy remit of the Central Bank, but the loss in cost competitiveness that occurred during the early years of the millennium is of key importance. It is evident that external demand must play a larger part in the economy of the future, as is already happening, and that demand will be employment rich only to the extent that a realistic cost structure can be restored. While the economy's competitiveness position has improved over the last two years, it really needs to be boosted further. Indeed, the improvement signalled by the fall in economy wide unit labour costs flatters our true condition; sector-by-sector, unit labour costs have not fallen as far. The overall unit labour cost figure has been strongly affected by the composition effect of the relative fall in the share of low-productivity, high-employment sectors. The aim must be to get back to the situation that prevailed at the beginning of the last decade, just after entry into EMU.

Many of the structural features of the economy that were in place then remain in place today.

The labour force remains well-educated and flexible, tax rates for enterprises are attractive and the general environment is still rated as being business friendly in most international surveys. Reference has already been made to what is needed in terms of labour costs, both in regard to wages and productivity growth, not just in the traded goods sector itself but in all sectors of the economy, including the public sector and the more sheltered sectors of the private sector. In this regard, it is not just a question of rolling back excesses that emerged in recent years. The country can no longer afford the inefficiencies and high charges that have long characterised certain sheltered sectors, and

which continue to weigh on the wider economic recovery. The interdependence of different sectors of the economy imply that all will have to play their part in contributing to a sustained recovery.

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

Central Bank Publishes Findings of Review of Banks' SME Lending Strategies

31 January 2011

The Central Bank of Ireland today published the findings of a Review ("the Review") of the Small and Medium Sized Enterprises ("SME") strategic lending plans of banks operating in the Republic of Ireland.

The Review sought to assess:

- Banks' risk appetite for SME lending;
- The overall quality of the banks' SME strategy and plans;
- The quality of risk management for this category of lending; and
- Whether banks are developing the necessary skills to originate sound SME loan portfolios.

The Review included six banks with the principal focus on AIB, Bank of Ireland and Ulster Bank as the largest and most active lenders to the SME sector. The Central Bank also engaged with KBC Bank Ireland plc, ACC Bank plc and Danske Bank Group (trading as National Irish Bank).

Jonathan McMahon, Director, Financial Institutions Supervision said, 'We anticipate that banks will, over time, grow SME lending as a proportion of their overall loan portfolios. The SME sector is large and diverse, and it offers banks revenue streams beyond interest income, including deposit revenue and transaction and advisory fees. But lending to SMEs requires particular skills, and banks need to develop these in order to price risk and manage it effectively. SME lending plans should therefore demonstrate that banks have thought through these risks; they should also evidence the existence of compensating controls. As SME lending is essential to future economic performance, we welcome the positive steps the banks are taking to facilitate this business in a controlled manner. But we will, of course, monitor the maintenance of credit standards.'

The main findings from the Review include:

- The Review of strategic policies found no evidence that banks had reduced their credit standards in an effort to meet the SME lending targets set by the Government under recapitalisation programmes. This is encouraging, but we will continue to monitor credit risk management in this area closely.
- The banks strategic planning process for SME lending would be improved by the Boards becoming more actively engaged and challenging at an earlier stage and at a more detailed level.
- It was evident that while banks have made good progress in developing SME plans, more detailed, specific information, and fewer general statements, would make them better aids to risk management.
- It was found that some banks had completed a limited number of credit reviews in the last two years. Strong credit review processes are an

essential component of strong risk management, and banks need to ensure this particular control is implemented regularly and to a high standard.

- It is critical that the frontline lenders have the expertise in place to make more informed, appropriately skilled and prudent credit decisions. The banks involved in the Review had assessed their current skills gaps and initiated training programmes to close them, with there being a particular focus on cashflow lending. Again, this is encouraging.

The findings from the Review have been issued to all domestic credit institutions.

The Central Bank expects to publish more information on historic lending to this segment when the Prudential Capital Assessment Review (“PCAR”) completes. It should be noted that the Review focused on new lending policies and strategies.

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

Central Bank of Ireland Announces Appointments to Consumer Advisory Group

2 February 2011

The Central Bank of Ireland has today announced the appointment of members to its Consumer Advisory Group. The role of the Consumer Advisory Group is to advise the Central Bank on its performance in relation to protecting consumers of financial services.

Director of Consumer Protection, Bernard Sheridan, welcomed the establishment of the Consumer Advisory Group and the appointment of its members. 'Consumer protection is a priority for the Central Bank and the Consumer Advisory Group will play an important role in contributing to our knowledge and understanding of the issues that affect consumers', he said.

Appointments to the Consumer Advisory Group are for a three-year period and members serve on a voluntary basis.

The members of the Consumer Advisory Group are:

Michael Culloty

Michael Culloty holds a senior position in the Money Advice & Budgetary Service (MABS) as National Social Policy and Communications Officer and is also the media spokesperson for MABS. He has wide experience and knowledge on consumer's interactions with lenders.

Dermott Jewell

Dermott Jewell is CEO of the Consumers Association of Ireland. He is Chairperson of the Financial Services Ombudsman Council and Chairperson/Directre of the Irish European Consumer Centre (ECC).

Elaine Kempson

Elaine Kempson is currently an independent consultant based in the UK. She is a Professor Emeritus at the University of Bristol where she was formerly Director of Personal Finance Research Centre. She has almost 30 years of experience in research in consumer behaviour and has worked on a number of studies for regulatory and international bodies, including World Bank, OECD and the UK Financial Services Authority. She is also a non-executive director of the UK Financial Ombudsman Service.

Bill Knight

Bill Knight is currently an independent consultant based in Canada. He was formerly the Commissioner of the Financial Consumer Agency of Canada. He established and is currently the Chair of the International Forum for Consumer Regulators. He also has extensive experience in the credit union sector in Canada.

Dr Anthony Walsh

Dr Anthony Walsh is Chief Executive of the Institute of Bankers in Ireland. Previously he spent nearly 20 years at Dublin City University (DCU), where he was Professor of Accounting and Dean of the Business School. He is a member of the Qualified Financial Advisor Board and a Director of the Irish Universities' Quality Board.

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

Quarterly Financial Accounts for Ireland: Q3 2010

2 February 2011

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 corporates, financial corporates 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 Q3 2010. An overview of some notable trends in households, Government and non-financial corporates is outlined below.

Household sector results show:

- Household net financial wealth increased by 3 per cent during Q3 2010 reaching €93 billion or €20,745 per capita. Net financial wealth has been on an upward trend since Q1 2009, increasing by 59 per cent over the period. Results show that the increase in net financial wealth in Q3 2010 was largely due to a reduction in loan liabilities, as households have sought to reduce high debt levels incurred prior to the financial crisis.
- Households net lending increased further in Q3 2010, reaching almost €4 billion, its highest level to date. The increase in net lending has been driven in part by investment by households in financial assets but also largely by a reduction in household liabilities. The high household net lending figures indicate that household saving continues to be high in Q3 2010.

Government sector results show:

- Total government liabilities continued to increase in Q3 2010. Results show that total liabilities grew by 10 per cent over the quarter, reaching €151 billion. The increase in liabilities were largely driven by two factors – new debt security issuances by Government over the period, and an increase in the promissory note issued to Anglo Irish Bank of €8.6 billion.
- The Irish Government deficit includes capital injections into Anglo Irish Bank, Irish Nationwide Building Society and EBS of €22.9 billion, €2.7 billion and €0.35 billion respectively, between Q4 2009 and Q3 2010. The remaining Government capital injections into the banking sector will be included in the Q4 2010 accounts. Though the four-quarter

moving average deficit continued to increase in Q3 2010, results show a decline in the four-quarter deficit excluding capital injections.

Non-Financial Corporate sector results show:

- The non-financial corporate sector has grown substantially since 2002. However, results show that the stock of financial assets has fallen for the first time since Q1 2005. Total financial assets now stand at €596 billion; a fall of nearly 2 per cent from the previous quarter.
- Total liabilities have also decreased in the current quarter, as the sector shows signs that it may be undergoing a process of deleveraging, through incurring fewer liabilities and some loan write-offs. The net financial wealth^[2] of the non-financial corporate sector was minus €200 billion in Q3 2010; a decrease of 3 per cent since the previous quarter.
- From Q2 2004 onwards, funding through loans tended to be proportionately higher than equity funding. This trend was reversed in Q1 2010, as credit from monetary financial institutions declined. The increasing reliance on equity funding, as opposed to loans, continued in Q3 2010; with a 2 per cent increase in the proportion of funding from equity, and a corresponding 2 per cent decrease in funding from loans.

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

[2] Net financial wealth is defined as the difference between financial assets and liabilities. It should be noted that net financial wealth does not include non-financial assets.

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

Response to Direction Order in Relation to Anglo Irish Bank and Irish Nationwide Building Society

8 February 2011

The Central Bank of Ireland notes the decision by the High Court to enable the NTMA to begin a process to transfer the deposits and corresponding assets held by Anglo Irish Bank and Irish Nationwide Building Society to a third party financial institution(s).

The Minister for Finance has confirmed that deposits remain protected and the terms and conditions of deposit accounts remain the same and will be safeguarded in any transfer.

There will not be any change in how depositors can deal with their accounts. Deposits can be accessed as normal through the relevant institutions and depositors can continue to do business as normal. No action is required by depositors. Any questions regarding individual accounts should be directed to the relevant institution through normal customer contact channels.

Both institutions will continue to communicate with customers throughout the process.

Anglo Irish Bank and Irish Nationwide Building Society continue to operate as credit institutions authorised and regulated by the Central Bank of Ireland.

Central Bank Statement on Announcement by Minister for Finance on Recapitalisations of AIB, Bank of Ireland and EBS Building Society

9 February 2011

The Central Bank of Ireland notes the announcement by the Minister for Finance that the requirement for AIB, Bank of Ireland and EBS to achieve a capital ratio equivalent to 12 percent core tier 1 under the PCAR 2010 base by 28 February 2011 has been extended. All programme deadlines are ultimately the responsibility of the Department of Finance and the Central Bank expects that the timeline will be set early in the life of the new Government.

AIB, Bank of Ireland, Irish Life and Permanent and EBS continue to meet ongoing minimum capital requirements. AIB, Bank of Ireland, Irish Life and Permanent and EBS will also be subject, as previously announced, to a PCAR and PLAR which will be completed by the end of March 2011 by the Central Bank.

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 - December 2010

Information Release 10 February 2011

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-December 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 December, as well as the market valuation of outstanding equity shares by sector of issuer at end-December. The sectors of the issuers are: monetary financial institutions; other financial intermediaries; Government; non-financial corporates; and insurance companies and pension funds.

- At end-December 2010, the outstanding amount of debt securities issued by Irish financial and non-financial firms, and the Government was €1.07 trillion, comprising €794 billion in Euro denominated securities and €272 billion in non-Euro denominated securities. The pace of decline in debt issuance continued during December, across most sectors of the economy. There was, however, an increase in the issuance of short-term debt securities by the OFI sector in December. Redemptions of debt securities by the banking sector continued during the month.
- Long-term Government bonds remained outstanding at €90.2 billion at end-December.
- Market-based debt financing for the monetary financial institutions sector declined across both short and long-term debt securities during December. There were total net redemptions of €10.3 billion in debt securities during the month, across both maturity profiles of this sector. Redemptions of short-term securities accounted for €8.4 billion of the total volume of redemptions.
- The debt refinancing activity of the other financial intermediary sector increased during December. Debt securities amounted to €842 billion at end-December for this sector. The increase largely arose from issuances of €17.6 billion of short-term securities, outweighing redemptions worth €9.2 billion of long-term securities. 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 National Asset Management Agency is also included in this sector.
- The outstanding debt securities of non-financial corporates, and insurance companies and pension funds were €3.7 billion and €4.2 billion, respectively, at end-December 2010.
- Equity securities, excluding investment fund shares/units, had an outstanding amount of €173.3 billion at end-December, 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 Consumer Guide to Mortgage Arrears Code

11 February 2011

The Central Bank of Ireland has today published a Consumer Guide to the statutory Code of Conduct on Mortgage Arrears. The Code, which came into effect on 1 January 2011, has established new requirements for lenders on how they deal with borrowers in mortgage arrears, or those at risk of falling into arrears. The Consumer Guide outlines the process consumers can expect from their lenders when dealing with mortgage arrears cases and outlines the requirements lenders must adhere to.

Director of Consumer Protection, Bernard Sheridan said, 'The strict requirements set out in the Code of Conduct on Mortgage Arrears means that mortgage lenders must deal sympathetically with consumers in arrears or facing an arrears problem. I urge anyone who is in mortgage arrears, or feels they may be at risk of falling into arrears, to contact their lender as soon as possible to discuss their situation. All lenders are obliged to look for ways to help deal with arrears problems and, where possible, to agree a manageable and sustainable solution. Lenders must look at each case and consider all options when assessing individual situations. The Consumer Guide outlines what consumers can expect from lenders when they engage with them.'

The Consumer Guide contains a list of useful contacts for consumers along with answers to a series of frequently asked questions relating to mortgage arrears.

Under the requirements of the Code, lenders are also obliged to provide information for consumers who may be having problems making mortgage repayments, or may be worried about problems in the near future. The information should be easily accessible through a link on the lender's website home page and must include details on the level of charges that may be applied to consumers who don't cooperate with lenders and an information booklet on the Mortgage Arrears Resolution Process (MARP).

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 (The Bank Street Securities/TBS Securities)

11 February 2011

The Central Bank of Ireland today published a warning notice on The Bank Street Securities/TBS Securities (United Kingdom). The firm is not authorised as an investment firm in Ireland and has been offering investment services and/or investment advice 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 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, 84 warnings naming 157 firms have been issued.

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

Central Bank of Ireland Issues €10 Coin in Honour of Saint Brendan

15 February 2011

The Central Bank of Ireland today launched a limited edition €10 silver proof coin celebrating Saint Brendan the Navigator. The collector coin, part of a Europe-wide initiative to honour European explorers, depicts Saint Brendan and his monks sailing towards the Americas in his legendary voyage across the Atlantic in the 6th century.

Designed by Michael Guilfoyle, the coin is illustrated in iconography associated with Saint Brendan's epic journey and shows him sailing across the rolling waves of the Atlantic in a stylised, interwoven pattern to reflect the Christian explorer's Irish heritage.

Speaking at the launch in Ardfert Cathedral, County Kerry, the monastery founded by Saint Brendan, Mary O'Dea, Director of Financial Operations at the Central Bank of Ireland said: 'Saint Brendan is immortalised in legend for his incredible journey across the Atlantic. The voyage he undertook with his monks is recognised in this commemorative coin and it is fitting that we are in Ardfert today to mark this special occasion.'

A special presentation of the coin was made to the Director of National Monuments, Dermot Burke who received the coin from the Central Bank on behalf of the Office of Public Works.

The €10 silver proof coin, which has an issue limit of 15,000 units, is available to the public from 15 February at a cost of €38 per coin. Each coin is accompanied by a numbered Certificate of Authenticity specifying the quality of the coin 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 (lo-call within Republic of Ireland). Orders can be placed by downloading an order form from our website.

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

Central Bank Publishes Findings of Inspection of Licensed Moneylenders

18 February 2011

The Central Bank of Ireland today published the results of a themed inspection of licensed moneylenders, which showed a high level of compliance among firms. Inspections were conducted in 11 of the 46 licensed moneylenders currently operating in Ireland and examined provisions of the Consumer Protection Code for Licensed Moneylenders (Moneylender's Code) and the Consumer Credit Act, 1995.

The inspections focused on whether consumers were being charged in accordance with moneylenders' authorised APRs (Annual Percentage Rates) and costs of credit as set out in the moneylenders' licence. It also examined whether firms had their licences on display and if they indicated the high-cost nature of loans on loan documentation issued to consumers, as required by the Moneylender's Code.

Overall the inspections found a high level of compliance with the requirements and consumers were charged in accordance with moneylenders' authorised APRs and costs of credit. In addition, firms had their licences on display and indicated the high-cost nature of loans on loan documentation issued to consumers. Some minor administrative errors were identified which are being followed up with firms, on an individual basis.

The introduction of the Moneylender's Code in 2009 has led to greater consumer protection in this sector with the introduction of a number of new measures specific to the moneylending sector including requirements that moneylenders disclose the high cost nature of the credit being advanced. They must also provide consumers, who demonstrate difficulty in meeting their repayments, with information on debt counselling services such as the Money Advice and Budgeting Services (MABS).

Consumers should be aware that some loans from moneylenders have a high cost of credit attached to them. Other sources of credit should be considered if consumers are using short term, high cost loans consecutively, to fund long term borrowing needs. Loans may be available over a longer term, at a lower cost, for example, from a credit union.

Central Bank Withdraws Investment Firm Authorisation

22 February 2011

The Central Bank of Ireland has withdrawn the authorisation of Renaissance Financial Markets Limited to operate as an investment firm. The Central Bank took this action pursuant to Regulation 21 of the European Communities (Markets in Financial Instruments Directive) Regulations 2007.

The action was taken on the grounds that:

- The firm no longer satisfied the Central Bank that it had the minimum level of capital specified.
- The firm no longer satisfied the Central Bank that the firm had and would follow established procedures to enable the Central Bank to be supplied with all information necessary for its supervisory functions.
- The firm no longer satisfied the Central Bank as to its organisation structure and management skills, and that adequate levels of staff and expertise had been employed to carry out the firm's activities.
- The firm no longer satisfied the Central Bank as to the conduct of the firm's business and financial resources.

The matters set out above amounted to infringements of the provisions of the Regulations governing the operation of investment firms.

The decision to withdraw the firm's authorisation was made by the Bank on 6 January 2011 and is effective from 31 January 2011. The firm has not appealed the decision of the Central Bank to the Irish Financial Services Appeals Tribunal.

Response to the Transfer of Anglo Irish Bank and Irish Nationwide Building Society Deposit Books

24 February 2011

The Central Bank of Ireland notes the decision by the High Court to approve the transfer of the deposit books of Anglo Irish Bank to AIB and Irish Nationwide Building Society to Irish Life & Permanent.

The Department of Finance has confirmed that the terms and conditions of transferring deposits from Anglo Irish Bank and Irish Nationwide remain the same, including those in relation to maturity and interest rate, and will be unaffected by the transfer.

No action is required by depositors as a result of this transfer. There will not be any immediate change in how depositors deal with their accounts. Deposits can be accessed as normal through the relevant institutions and depositors can continue to do business as normal with Anglo Irish Bank and Irish Nationwide.

The Department of Finance has also confirmed depositors both during and after the transfer will be protected under the Credit Institutions Eligible Liabilities Guarantee Scheme 2010 and the Deposit Protection Scheme.

Both institutions will continue to communicate with customers throughout the process. Any questions regarding individual accounts should be directed to the relevant institution through normal customer contact channels.

Anglo Irish Bank and Irish Nationwide Building Society continue to operate as credit institutions authorised and regulated by the Central Bank of Ireland.

Latest Arrears and Repossessions Figures show 5.7% of Mortgage Accounts in Arrears for more than 90 days

28 February 2011

The Central Bank of Ireland today published the latest data on mortgage arrears and repossessions for the period ended December 2010. The figures show that at the end of December 2010 there were 786,164 private residential mortgage accounts held in Ireland to a value of almost €116.7 billion. Of these, 44,508 mortgage accounts, or 5.7% of the total residential mortgage accounts, were in arrears for more than 90 days. This compares with 28,603 accounts that were in arrears for more than 90 days at the end of December 2009. Furthermore, the data shows that overall mortgage debt outstanding for private residential mortgages decreased by almost €1.7 billion since the fourth quarter of 2009.

This is the first quarterly report that includes data on restructured mortgages (detailed in 4. below). There was a total stock of 59,229 residential mortgage accounts that were categorised as restructured at the end of December 2010. Of this total, 35,205 are classified as performing and not in arrears. This gives 79,713 accounts that are either in arrears greater than 90 days or have been restructured and are performing as at the end of December 2010.

The number of restructures that has taken place shows that arrangements are available to those borrowers who seek help in dealing with pre-arrears or arrears difficulties. The revised Code of Conduct on Mortgage Arrears, which came into effect on 01 January 2011, enhances protection afforded to people in arrears or pre-arrears. It is important that borrowers engage early with their lenders to benefit from the protection afforded under the revised Code.

1. Arrears Data

As at the end of December 2010 there were 44,508 mortgage accounts in arrears for more than 90 days. Of these there were 31,338 mortgage accounts, or 4.0% of the total outstanding mortgage accounts, more than 180 days in arrears. In value terms €8.6 billion was owed in relation to all accounts more than 90 days in arrears, of which almost €6.2 billion was owed on accounts more than 180 days in arrears. The number of mortgage accounts in arrears for more than 90 days at the end of December 2010 increased by 10.0% since the end of September 2010. This rate of increase has slowed marginally from the 11.1% increase in the third quarter of 2010.

There were 5,812 formal demands issued by lenders outstanding at the end of December 2010; a 4.2% increase from the 5,576 formal demands outstanding at the end of September 2010. The 5,812 formal demands contained arrears amounting to €101.7 million on outstanding mortgages totalling over €1.2 billion.

Although there was a year-on-year decrease of 4.9% in the number of outstanding arrears cases where court proceedings had been issued to enforce the debt/security on the mortgage (3,074 at the end December 2010), the arrears value on such cases increased 21.1% year-on-year to stand at €106.8 million on outstanding mortgages totalling €712.2 million at the end of December 2010.

2. Court Proceedings

During the quarter ended December 2010 mortgage lenders applied to Court to commence proceedings to enforce the debt/security in 297 cases. This is an increase of 41.4% on the number of cases reported in the quarter ended September 2010, and these 297 cases comprised arrears totalling €9.8 million built up on mortgage loans that equate to €104.6 million.

During this quarter 223 court proceedings were concluded. Of these 223 cases, the Courts granted orders for possession/sale in 119 cases which included six orders to perfect the title because properties were voluntarily surrendered and 23 orders because the properties were abandoned. The remaining 90 orders were obtained to enforce the debt/security on a mortgage. In the 104 cases where no orders for possession/sale were obtained, 69 were settled by renegotiating the term and/or other conditions of the mortgage. The reasons why no orders for sale/possession were obtained in the remainder of these cases (35) were due to properties being voluntary surrendered, abandoned or that the court proceedings were settled on other terms.

3. Repossessions

At the beginning of the fourth quarter of 2010 mortgage lenders held a stock of 521 repossessed residential properties. A further 106 were repossessed during the quarter of which 34 were repossessed on foot of Court Orders and 72 were repossessed following voluntary surrender or abandonment. These 106 repossessions compare with 81 repossessions that took place in the third quarter of 2010 and 101 repossessions that took place in the quarter ended December 2009. A total of 42 properties were disposed of during the fourth quarter of 2010; down from 54 property disposals in the third quarter of 2010. Mortgage lenders held 585 repossessed residential properties at the end of December 2010.

4. Restructures

There was a total stock of 59,229 residential mortgage accounts that were classified as restructured at the end of December 2010. These accounts held a value of €10.3 billion and contained arrears of €146.2 million. Of this total stock of restructures, 35,205 accounts, with a value of almost €5.9 billion, are performing and not in arrears at the end of December 2010.

Interest only restructures account for the majority of the number of mortgages that have been restructured (38.3%); while reduced payments (that are paying

greater and less than interest only) also comprise a large percentage of restructures (28.3%).

By summing the number of mortgage accounts in arrears for more than 90 days in (1.) above with the number of mortgage accounts restructured that are performing, it shows that a total of 79,713 accounts are either in arrears greater than 90 days or have been restructured due to financial distress as at the end of December 2010.

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

Central Bank Publishes January 2011 Money and Banking Statistics

28 February 2011

The Central Bank has today published Money and Banking Statistics to the end of January 2011.

The related data tables are available in the statistics area of the Central Bank website.

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

Central Bank Data on Investment Funds to December 2010

3 March 2011

The Central Bank today publishes statistics for Q4 2010 on investment funds^[1] (IFs) resident in Ireland. The data show that the value of Irish resident investment funds' shares/units in issue increased substantially by €65.7 billion between Q3 2010 and Q4 2010. The investment fund industry in Ireland represented 11 per cent of total shares/units in issue by euro area funds at end-December 2010.

- The increase in shares in issue in Ireland over the quarter was spread evenly between increased transactions and positive revaluations arising from exchange rate or market price movements. New funds with shares worth over €6.7 billion were launched during the quarter.
- Ireland accounted for nearly one third of the increase in shares in issue in the euro area during the quarter (see Chart 1), with Luxembourg accounting for a further 52 per cent – nearly two thirds of the increase in the euro area was the result of positive revaluations.
- Irish resident investment funds held 53 per cent of their assets under management (AUM) in shares and other equities in Q4 2010, including investment fund and money market funds (MMF) shares. When IF and MMF shares are excluded, the balance of equities held were mostly concentrated in shares issued by non-euro area residents. However, over half of IF and MMF shares held were issued by Irish resident funds. This would indicate a sizeable presence of funds-of-funds, or feeder funds, in Ireland.
- Over the past few quarters, substantial inflows into bonds held by investment funds were driving the increase in the value of investment funds. In Q4 2010, however, the value of both bond and equities held rose. While bond increases were driven by inflows into or purchases of bonds, the increases in equities was mainly driven by valuation effects as stock markets rebounded.
- Nearly three quarters of Irish resident investment funds' AUM were invested in products 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 AUM 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 Q4 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, 77 per cent of all shares in issue by investment funds in the euro area were held by euro area residents.

Equity Funds

- Nearly half of the substantial increase in investment fund shares in issue over the quarter was due to an increase in equity funds. Of the €30 billion increase, only €8 billion of this was due to inflows; the remainder was due to positive revaluations.
- In the euro area, nearly three quarters of the increase in total shares in issue recorded over the quarter was due to equity funds, and this was also mostly positive revaluations due to exchange rate movements, or market price changes.
- Leading stock market indices from around the world showed gains over the quarter, many in the region of 10 per cent.

Bond Funds

- Bond funds' shares increased by €20.1 billion over the final quarter of 2010. In aggregate in 2010, bond funds increased by €63.3 billion, with two thirds of this increase being accounted for by inflows to bond funds.
- The value of bond funds in the euro area fell by €2 billion over the quarter. Positive inflows were more than offset by outflows from remaining assets and financial derivatives.

Hedge Funds

- Over the course of 2010, hedge funds resident in Ireland continued to dominate the euro area, accounting for 52 per cent of total hedge fund shares in issue.
- After recording a fall during the third quarter of 2010, hedge funds' shares increased in value of by €6 billion during the final quarter of 2010.
- The increase was mainly driven by increased holdings of bonds and shares, and to a lesser extent, positive revaluations.

[1] The information collected by the Central Bank of Ireland contains detailed quarterly balance sheet data on outstanding stocks and transactions, along with a monthly breakdown of outstanding shares/units issued by investment funds, by fund type. The investment funds data does not include money market funds (MMFs).

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

Findings of a Review of the Key Features Documents for Tracker Bonds Sold by Credit Institutions

4 March 2011

The Central Bank of Ireland today published the findings of a themed inspection on key features documents for tracker bonds sold by credit institutions. Tracker bonds are a common investment product available to consumers and the Central Bank believes that consumers, at times, may find them difficult to understand. The Central Bank's Consumer Protection Code requires firms to provide consumers with key information on tracker bonds prior to investment, which must be included in a Key Features Document (KFD). The Code also requires firms to provide consumers with a document that sets out consumer-specific information on their investment within two days of the start date of the tracker bond.

The inspection focussed on reviewing the content of the KFDs and ensuring the documentation required under the Code is correct and issued in accordance with the provisions in the Code. Eight firms were inspected and approximately 300 consumer records were reviewed. Overall, the findings of the inspection were positive and the Central Bank has notified the firms inspected of the findings from the theme.

The main findings from the theme are:

- In all eight firms inspected, it was evident that the KFD is provided to the consumer before an application form is signed as required under provision 9 of Chapter 6 of the Code.
- In all eight firms inspected, it was evident from the consumer files examined that the consumers were issued with a document as required under provision 10 of Chapter 6 of the Code.
- While the required document was issued to consumers following the start date of the product, it was not always issued within the 2 business days required by the Code. Firms advised that it is not always feasible to issue the document within 2 business days. This issue has been followed up with those individual firms. The reason for the delay is generally where the product producer is not the seller of the tracker bond. It was recognised that in this situation there can be issues regarding the timing of the provision of this document to consumers and the Review of Consumer Protection Code proposes to extend the timeframe from 2 business days to 5 business days.
- The Code requires that the KFD must include details of where the consumer's investment goes. It should include a breakdown of the tracker bond investment into the following three components:
 - The amount used to secure the promised payment;
 - The amount used to secure a potential cash bonus; and
 - The amount to be taken in charges.

The tracker bonds of two of the firms inspected were unable to meet this requirement in full. The firms' tracker bonds involve the use of an interest rate swap, which means the tracker bond cannot meaningfully follow the structure as set out in the Code. The Central Bank is in discussions with the firms involved to agree an appropriate solution.

Compliance issues identified during the inspections have been the subject of separate engagement with the individual firms concerned. The findings are being considered as part of the Review of Consumer Protection Code, which is currently underway.

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 January 2011

10 March 2011

The Central Bank of Ireland, today (March 10 2011), published updated statistics on market-based financing activities of financial and non-financial firms incorporated in Ireland at end-January 2011. 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 January, as well as the market valuation of outstanding equity shares by sector of issuer at end-January. The sectors of the issuers are: monetary financial institutions; other financial intermediaries; Government; non-financial corporates; and insurance companies and pension funds.

- At end-January 2011, the outstanding amount of debt securities issued by Irish financial and non-financial firms, and the Government was €1.08 trillion, comprising €802 billion in Euro denominated securities and €282 billion in non-Euro denominated securities. The pace of decline in debt issuance continued during January, across most sectors of the economy. There was, however, an increase in the issuance of short-term debt securities by the banking sector in January.
- Long-term Government bonds remained outstanding at €90 billion at end-January.
- While long-term market-based debt financing for the banking sector continued to decline during January albeit at a slower pace, there was a significant issuance of short-term debt during the month of €17 billion. These issuances relate to own-use bank bonds, retained by the banks for use as collateral for Eurosystem monetary policy operations.
- The debt refinancing activity of the other financial intermediary sector increased during January across both short and long term maturity issuances. Debt securities amounted to €849 billion at end-January for this sector. The increase largely arose from issuances of €2.5 billion of short-term securities, and €3.9 billion worth of long-term securities. 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 National Asset Management Agency is also included in this sector.
- The outstanding debt securities of non-financial corporates, and insurance companies and pension funds were €3.7 billion and €2.3 billion, respectively, at end-January 2011.
- Equity securities, excluding investment fund shares/units, had an outstanding amount of €174 billion at end-January, 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 1) Patricia Clinton t/a Innovative Mortgage Service and 2) Mr Frank Clinton (as a person concerned in the management of Innovative Mortgage Service)

14 March 2011

The Central Bank of Ireland (“the Central Bank”) entered into a Settlement Agreement on 11 March 2011 with Patricia Clinton trading as Innovative Mortgage Service (“the firm”) formerly a regulated financial services provider and Mr Frank Clinton, a person concerned in the management of the firm, in relation to breaches of regulatory requirements contained in the Consumer Protection Code (“the Code”) and the Consumer Credit Act, 1995, (“the Act”).

The 11 breaches were identified by the Central Bank during the course of a targeted inspection. Up until 14 August 2009, when the firm ceased business as a mortgage intermediary, the firm and Mr Clinton carried on the business of a mortgage intermediary without regard or knowledge of the obligations imposed by the Code and the Act, and consequently:-

- Failed to act with due skill, care and diligence in the best interests of the firm’s customers.
- Failed to draw up and provide each customer with a Terms of Business prior to providing a service to those customers.
- Failed to gather and record sufficient information from a consumer, appropriate to the nature and complexity of the product or service being sought, to enable the firm to provide a recommendation or a product or service appropriate to that consumer.
- Failed to provide consumers with a written statement of suitability prior to providing a product or service to those consumers.
- Failed to have in place proper procedures for the handling of consumer complaints.
- Failed to provide consumers with details of all charges, including third party charges, which would be passed on to such consumers, prior to providing a service to that consumer.
- Failed to maintain up-to-date consumer records.
- Failed to provide customers with a written indicative comparison of the total costs of continuing with their existing loan facilities and the total cost of the consolidated facility being offered.
- Failed to have adequate systems and controls in place to ensure compliance with the Code.
- Failed, where a fee was charged in respect of the making, accepting or administering of an application for a loan, to ensure that a statement of reasonable prominence was provided to the consumer as required by Section 132 of the Act.
- Facilitated unauthorised business, by allowing unauthorised persons to transact mortgage intermediation business through the firm.

The Central Bank imposed disqualification period on each of Mr Frank Clinton and Mrs Patricia Clinton from being a person concerned in the management of a regulated financial service provider for 3.5 years with immediate effect.

The penalties imposed in this case reflect the importance the Central Bank places on consumer protection and the requirement for regulated entities to have knowledge and understanding of their obligations. The Central Bank also views the facilitation of unauthorised business particularly seriously.

The Central Bank recognises the parties' full cooperation during the course of the investigation and settling at an early stage in the administrative sanctions procedure. This cooperation was taken into account in deciding the appropriate penalty to impose.

The firm's authorisation as a mortgage intermediary was revoked by the Central Bank on 14 August 2009, at the request of the firm and prior to the commencement of the administrative sanctions procedure examination.

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 Capital Assessment Macro Economic Scenario

16 March 2011

The Central Bank of Ireland is today publishing the macro economic scenarios for its 2011 Prudential Capital Assessment Review (PCAR). The PCAR is an annual stress test that covers a three year time horizon (2011-2013). The outcome of the 2011 PCAR will be published by the Central Bank on Thursday 31 March and is being applied to Allied Irish Bank (AIB), Bank of Ireland (BOI), the Educational Building Society (EBS), and Irish Life and Permanent (ILP).

Stress testing is used by banking supervisors to determine whether a bank is adequately capitalised to withstand adverse macro-economic events or unanticipated 'shocks'. It is not an economic forecast: it employs hypothetical scenarios.

The European Banking Authority (EBA) will announce macro economic scenarios for its 2011 stress testing exercise on Friday 18 March. The EBA stress test covers a two year period (2011-2012) and is a separate exercise to the PCAR. The EBA stress test will apply similar base and adverse macro-economic scenarios for Ireland. The scenarios for Ireland were designed by the Central Bank in conjunction with EBA, ECB and European Commission.

Key features of the 2011 Central Bank PCAR stress test include:

- A detailed assessment across a three year period from 2011-2013;
- A comprehensive, independent loan loss estimation exercise performed by BlackRock Solutions including in depth data validation and asset quality reviews of each loan book;
- A Prudential Liquidity Assessment Review (PLAR) that incorporates the establishment of liquidity targets for each institution.

These elements will influence the eventual capital requirements of the participating banks. The methodology will be made public by March 31, 2011.

Additional Notes

The starting point for both the base and adverse macro-economic scenarios for Irish domestic banks reflects the very significant degree of stress which has already materialised in the domestic Irish economic environment. The baseline is based on an EU Commission baseline forecast for Ireland from December 2010 with additional property price assumptions provided by the Central Bank. Against this backdrop, the Central Bank is applying a scenario that both commercial and residential property prices continue to decline in the base and the stress case. These are not forecasts of outcomes but represent two possible paths from a large range of future outcomes regarding property prices.

Appendix-Ireland - Macroeconomic scenarios The Central Bank has prescribed a common base-line macroeconomic scenario and adverse scenario consistent with those being applied for the 2011 EBA EU-wide stress test. The prescribed macroeconomic and market variables are applied when performing loan loss and funding cost forecasts. The details of the macroeconomic parameters for Irish balances are detailed in the table below. Details of the UK and US Macroeconomic scenarios will be published by the EBA on 18 March.

IE – Ireland	Baseline				Adverse			
	2010 ^e	2011 ^f	2012 ^f	2013 ^f	2010 ^e	2011 ^f	2012 ^f	2013 ^f
GDP	-0.2	0.9	1.9	2.5	-0.2	-1.6	0.3	1.4
GNP	-3.0	-1.5	0.8	1.5	-3.0	-2.6	0.2	1.2
Consumption	-1.4	-1.9	-1.0	0.5	-1.4	-3.9	-1.3	0.1
Investment	-21.1	-8.9	1.8	4.3	-21.1	-11.3	-1.7	-0.3
<i>Of which</i>								
<i>construction</i>	-28.9	-15.6	-1.3	2.0				
<i>Equipment</i>	-5.2	1.4	5.8	7.1				
Government Consumption	-2.2	-5.7	-1.8	-2.4	-2.2	-5.5	-4.3	-2.4
Exports	5.7	4.5	4.5	4.6	5.7	2	2.1	2.5
Imports	2.3	0.9	2.7	3.3	2.3	-1.1	0.5	1.7
Balance of Payments (%GDP)	-0.9	1.2	2.2	2.6	-0.9	1.6	3.1	4.3
Employment	-4.0	-0.8	0.5	1.1	-4.0	-2.5	-1.1	0.1
Unemployment Rate	13.6	13.4	12.7	11.5	13.6	14.9	15.8	15.6
Inflation								
HICP	-1.5	0.4	0.6	1.6	-1.5	0.1	0.6	1
CPI	-1.0	0.9	0.8	1.6	-1.0	0.7	0.9	1
House Prices	-15.5	-13.4	-14.4	0.5	-15.5	-17.4	-18.8	0.5
Commercial Property	-13	-2.5	1.5	1.5	-13	-22	1.5	1.5
Personal disposable Income	-3.2	-1.9	-1.3	0.4	-3.2	-3.9	-1.2	0.2

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) March 2011

18 March 2011

The Decisions taken by the Governing Council of the ECB (In addition to decisions setting interest rates) for March 2011 have been published.

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

Central Bank of Ireland Proposes New Fitness and Probity Regime

22 March 2011

Central Bank Plans Fitness and Probity Reviews of Boards of Covered Banks

The Central Bank of Ireland today published a consultation paper proposing the implementation of new statutory fitness and probity powers for the financial services industry. Consultation paper 51 sets out the Central Bank's proposals on the introduction of statutory and enforceable standards of fitness and probity for the industry and a list identifying the senior positions to which these powers should apply. The new requirements will apply to all entities regulated by the Central Bank, with the exception of credit unions.

The Head of Financial Regulation, Matthew Elderfield, also announced today that the Central Bank is planning to review the fitness and probity of all existing executive and non-executive directors of banks which have received government assistance. The Central Bank will assess any incumbent directors who plan to be in post after 1 January 2012 against the new standards including their competence and track record in the period leading up to the financial crisis. The new standards specify that the Central Bank will pay particular regard to the actions of individuals who may have contributed to a financial institution being forced to seek government financial assistance.

In the consultation paper, the Central Bank is seeking views on proposed new statutory standards of fitness and probity, which, together with certain statutory grounds identified in the Central Bank Reform Act 2010, will set the requirements for entry into and removal from a senior position within regulated firms. The consultation paper sets out the legislative framework for the new powers under the Central Bank Reform Act 2010 which has provided the Central Bank with powers to veto senior appointments, as well as to suspend or remove people from senior positions across the financial services industry. Where it is appropriate, the Central Bank can also prohibit individuals from working in senior industry positions entirely.

The Act also provides additional criteria on when the Central Bank can use its powers to refuse an application to appoint someone to a senior position or remove someone and views are sought on what senior positions should be subject to the new regime. It is also proposed to require firms to identify and maintain a record of the individuals who are in roles subject to the requirements and firms will be required to provide a list of those individuals when the regulations come into effect.

It is expected that the new regulations and statutory standards implementing the regime will come into effect from 1 September 2011. Failure to comply with the fitness and probity requirements in the Act and the standards which the Central Bank ultimately issues may also be subject to sanction under the Administrative Sanctions Framework.

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

Capital and Liquidity Results Published for Banking Sector

31 March 2011

Financial Measures Programme Sets €24bn Capital Requirement

The Central Bank of Ireland today published the Financial Measures Programme Report which details the outcome of its review of the capital and funding requirements of the domestic Irish banks[1].

This Programme aims to place the Irish banking system in a position where it can fund itself and generate capital without undue reliance on the Irish or European public sectors, through a process of recapitalisation, deleveraging and reorganisation. Using a conservative approach, the Central Bank has set the following capital and liquidity requirements for the four banks examined under the Programme:

Collectively the four banks will be required to raise €24bn in capital in order to remain above a minimum capital target of 10.5% Core Tier 1 in the base scenario and 6% Core Tier 1 in the stress scenario, plus allowing for an additional protective buffer. Each bank must meet a liquidity requirement of a target loan to deposit target ratio of 122.5% by 2013, through a combination of run-off and disposals of non-core assets.

The following are the Capital Requirements for each bank:

	AIB	BOI	EBS	ILP	TOTAL
Capital required 2011-2013 pre-buffer	10.5	3.7	1.2	3.3	18.7
Additional capital buffer (equity) imposed by the Central Bank	1.4	0.5	0.1	0.3	2.3
Additional capital buffer (contingent capital) imposed by the Central Bank	1.4	1.0	0.2	0.4	3.0
Total capital required 2011-2013	13.3	5.2	1.5	4.0	24.0

Liquidity Assessment Requirements: The banks, in collaboration with the Central Bank and its advisers, have developed deleveraging plans that achieve compliance with a 122.5% loan to deposit target by 2013. The capital and liquidity impact of deleveraging has been incorporated into the PCAR and PLAR stress tests such that, following re-capitalisation of the banks to meet PCAR

requirements, the banks will have the necessary resources to deliver on their deleveraging targets.

The Financial Measures Programme implements the Central Bank's obligations under the agreement between the Irish State and the International Monetary Fund (IMF), European Central Bank (ECB) and European Commission (EC). It involved:

- An independent loan loss assessment exercise performed by BlackRock Solutions (BlackRock), the results of which have provided the basis for the calculation of capital requirements and informed the calculation of capital requirements under the PCAR.
- The Prudential Capital Assessment Review (PCAR) 2011, an annual stress test of the capital resources of the domestic banks under a given stress scenario, undertaken in order to calculate the cost of recapitalisation necessary to meet Central Bank imposed requirements.
- The Prudential Liquidity Assessment Review (PLAR) 2011, which establishes targets for banks participating in the PCAR in order to reduce the leverage of the banking system, reduce banks' reliance on short-term, largely central bank funding, and ensure convergence to Basel III liquidity standards over time.

Completing these exercises in an integrated approach has allowed the Central Bank to model both balance sheet and profit and loss dynamics in a transparent and prudent manner offering robust reassurance to the market that the resulting capital requirements are soundly based on a credible stress model. This prudent conservative approach has been achieved by: applying Blackrock's estimated loan losses derived from an assessment of intrinsic loan value; using a prudent target capital ratio; applying a three year assessment period; and applying an additional prudential buffer.

Speaking today, the Governor of the Central Bank Patrick Honohan said:

'The Financial Measures Programme aims to create a sustainable Irish banking system through a process of recapitalisation, deleveraging and reorganisation. Banks will be capitalised as the additional capital requirements announced today provide for future loan losses over the course of the three years on a scale that is unlikely to occur and an additional buffer for subsequent events.'

'The assumptions we have used, the methodology BlackRock has followed, and the capital targets the Central Bank has set together provide an exceptionally conservative basis for re-capitalising the Irish banks. The data assembled in this exercise has been published to enable independent analysts to see the basis on how we have determined loan loss projections and to create more transparency about the final costs of resolving the Irish banking system.'

He added: 'Smaller, but more soundly constituted, Irish banks should be in a better position to provide loan and other financial services to households and businesses to support the economic recovery'

This work by the Central Bank was a key element of the Ireland's agreement with the EU-IMF Programme. The stress test criteria and the terms of reference

for the diagnostic evaluation of bank assets were developed in consultation with the EC, ECB and IMF at the end of 2010, and these institutions have since monitored progress in the implementation of the Programme.

[1] AIB, BOI, ILP, EBS were subject to the full PCAR and PLAR processes.

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

Central Bank Publishes February 2011 Money and Banking Statistics

31 March 2011

The Central Bank has today published Money and Banking Statistics to the end of February 2011.

The related data tables are available in the statistics area of the Central Bank website.

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

Response to Announcement by Minister for Finance on Restructure of the Banking Sector

31 March 2011

The Central Bank of Ireland notes the announcement made today by the Minister for Finance, Michael Noonan TD, on the restructuring of the banking sector.

The Minister for Finance has announced that he intends to combine the EBS Building Society (EBS) with AIB.

It is expected that the State will be required to provide additional necessary capital to Irish Life and Permanent to meet its capital requirements, with the likely result that the State will have majority ownership of the firm. It has also been announced that Irish Life Assurance, and other investment assets of Irish Life and Permanent, are expected to be sold.

The Minister for Finance has advised that customers of Irish Life and Permanent and EBS customers should continue to carry out their business in the normal way. All branches remain open. Customers and policyholders of Irish Life Assurance and Irish Life Investment Management have also been advised to carry out their business in the normal way.

Director for Consumer Protection, Bernard Sheridan, said ‘there will not be any immediate change in how these firms deal with their customers’ accounts. Customers can continue to access banking services as normal. Any questions regarding individual accounts should be directed to their institution through normal customer contact channels. Under the Central Bank’s Consumer Protection Code banks and insurers must act in their customers best interests and the Central Bank will be monitoring these institutions closely during this period.’

The Department of Finance has also confirmed depositors both during and after the transfer will be protected under the Credit Institutions Eligible Liabilities Guarantee Scheme 2010 and the Deposit Protection Scheme.

EBS and Irish Life and Permanent continue to operate as credit institutions authorised and regulated by the Central Bank of Ireland.

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

Clarification - Senior Debt and Subordinated Debt Issuance by Irish Credit Institutions

1 April 2011

The Central Bank has today updated the table on senior and subordinated debt published on 2 March 2011. Due to an error in the figures submitted by EBS to the Central Bank the table has been amended to include a corrected figure for EBS unguaranteed secured senior bonds.

The error was identified by the Central Bank during the Prudential Liquidity Assessment Review process. EBS has confirmed the revised figure is now correctly reported.

The information was originally provided to the Central Bank by each institution following a request to release data on senior and subordinated debt. It does not form part of any statistical series. The table below corrects the information first issued on 2 March.

€m	Senior Bonds Guaranteed	Senior Bonds Unguaranteed Secured	Senior Bonds Unguaranteed Unsecured	Subordinated Bonds
AIB	6,063	2,765	5,872	2,601
BOI	6,178	12,284	5,164	2,751
EBS	1,025	<u>1,991</u>	472	65
ILP	4,704	2,999	1,156	1,203
Anglo	2,963	0	3,147	145
INBS	0	0	601	175
Total	20,934	<u>20,039</u>	16,413	6,940

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 February 2011

7 April 2011

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-February 2011. 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 February, as well as the market valuation of outstanding equity shares by sector of issuer at end-February. The sectors of the issuers are: monetary financial institutions; other financial intermediaries; Government; non-financial corporates; and insurance companies and pension funds.

- At end-February 2011, the outstanding amount of debt securities issued by Irish financial and non-financial firms, and the Government was €1.06 trillion, comprising €785 billion in Euro denominated securities and €278 billion in non-Euro denominated securities. The pace of decline in debt issuance continued during February, across most sectors of the economy. There were significant redemptions of both short and long-term debt securities by the non-banking financial sector in February.
- Long-term Government bonds remained outstanding at €90 billion at end-February.
- Developments for market-based debt financing for the banking sector were static during February across all maturity profiles.
- There were significant contractions in the debt refinancing activity of the other financial intermediary sector during February across both short and long term maturity issuances. Debt securities amounted to €829 billion at end-February for this sector. The decrease largely arose from redemptions of €12.7 billion of short-term securities, and €6.9 billion worth of long-term securities. 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 National Asset Management Agency is also included in this sector.
- 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-February 2011.
- Equity securities, excluding investment fund shares/units, had an outstanding amount of €177 billion at end-February, 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.

ECB Monetary Policy Decisions

07 April 2011

At today's meeting the Governing Council of the ECB took the following monetary policy decisions:

1. The interest rate on the main refinancing operations of the Eurosystem will be increased by 25 basis points to 1.25%, starting from the operation to be settled on 13 April 2011.
2. The interest rate on the marginal lending facility will be increased by 25 basis points to 2.00%, with effect from 13 April 2011.
3. The interest rate on the deposit facility will be increased by 25 basis points to 0.50%, with effect from 13 April 2011.

The President of the ECB will comment on the considerations underlying these decisions at a press conference starting at 2.30 p.m. CET today.

Private Motor Insurance Statistics 2008

8 April 2011

The Central Bank today published the Private Motor Insurance Statistics for 2008. The primary objective of the report is to examine the level of accident frequency and claim costs, and to assess their impact on premiums paid by different categories of drivers.

The main findings of the report show:

- The downward trend in average premiums was maintained in 2008 with decreases of 8 per cent and 10 per cent reported for comprehensive cover and third party fire and theft cover, respectively. Since 2002 average premiums have fallen by 38 per cent for both comprehensive and third party fire and theft cover.
- Accident frequency has continued to climb in 2008. The rates in 2008 of 8.6 and 6.5 accidents per 100 policies for comprehensive cover and third party fire and theft cover, respectively, brings them to the highest levels reported since 2001.
- Average cost, measured on a per claim basis, had decreased by 25 per cent, to €4,249, for comprehensive cover and by 34 per cent, to €5,242, for third party fire and theft cover between 2002 and 2007. In 2008 results suggest a levelling off of the downward trend in this statistic.
- Meanwhile, average cost, measured on a per policy basis, for year 1 development, has substantially increased for both cover types in 2008. For comprehensive cover, average cost per policy climbed 16 per cent, similarly, third party fire and theft cover increased by 18 per cent. The increases are explained primarily by increases in accident frequency.
- Average surplus per policy, which is an indicator of industry profitability, reported a substantial decline for both types of cover in 2008 based on year 1 development. For comprehensive cover, average surplus per policy declined over the year by 38 per cent to €156. Third party fire and theft cover reported a decrease of 30 per cent to €281 per policy.
- The average premium for male and female policyholders in 2008 was €609 and €484, respectively, more than a 25 per cent differential.

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

Response to Announcement of Preferred Bidder for Quinn Insurance Limited (QIL)

14 April 2011

The Central Bank of Ireland notes the announcement by the Joint Administrators on the preferred bidder for Quinn Insurance Limited (QIL) (under administration). The proposal is still subject to formal regulatory approval. However, the Joint Administrators have been keeping the Central Bank apprised throughout the sale process.

The Joint Administrators have announced that the proposal of the preferred bidder is that a new insurance company will be established, subject to Central Bank approval. This company will be majority owned by Liberty Mutual, the 5th largest insurer in the USA. It is also proposed that Liberty Mutual will provide the management and insurance expertise. Anglo Irish Bank will retain a minority shareholding in the new firm but will have no dealings in the day to day management of the new company.

This announcement does not affect policyholders of QIL, Quinn Healthcare (QHC) or Quinn Life Direct (QLD). Policyholders of QIL, QHC and QLD can continue to renew policies, take out new business and make claims in the normal way.

Central Bank Publishes Quarterly Bulletin 2 2011

14 April 2011

The Central Bank today published its Quarterly Bulletin 2 2011.

Comment

After contracting significantly over the last three years, economic activity is projected to return to positive growth this year. Recently released preliminary National Accounts data showed further declines in real GDP and GNP of 1 per cent and 2.1 per cent respectively last year. The underlying pattern behind these figures has not changed for some time, however, nor is it likely to do so, with the weakness in domestic spending gradually moderating but exports growing quite strongly. This year, the external stimulus is projected to finally outweigh the still negative, though reducing, drag on output growth from domestic sources. Real GDP is expected to grow by 0.9 per cent, rising to 2.2 per cent in 2012. However, real GNP is expected to remain broadly unchanged in 2011, with a return to positive growth of 1.6 per cent next year. This represents the Bank's central scenario but uncertainty remains high, given the extent of the fiscal and other adjustments in the economy, so that a range of both stronger and weaker outcomes are entirely plausible.

Although output growth is set to re-emerge, employment and disposable incomes will remain under downward pressure in the shortterm, so for many people there is likely to be little sense of improvement in their economic situation. The outlook for domestic demand remains subdued. Employment is forecast to fall further this year before stabilising in 2012, higher taxes are adversely affecting disposable incomes and households are reducing their indebtedness. Reflecting these developments, consumer spending is projected to contract further this year before stabilising next year. Given the scale of the reduction in public capital spending, a further significant decline in investment spending is also in prospect this year.

Exports grew strongly last year, recording their largest annual percentage increase in a decade. As a small and very open economy, the continued strength and sustainability of the recovery in the global economy will have an important bearing on the country's prospects. The evidence suggests that the global economy has gathered momentum again in the early part of 2011, although the pattern of recovery across the major industrialised economies remains uneven. Uncertainty has increased more recently, however, amid political upheavals in some oil producing countries. Notwithstanding this, the consensus of the main international forecasting agencies is that demand in Ireland's main export markets will continue to grow at a relatively robust pace this year and next. Some moderation in export growth may occur from last year's rate, although, at around 6 per cent in 2011, it is projected to remain relatively strong. The positive export performance combined with the weakness of domestic demand

has contributed to a significant turnaround in the current account of the Balance of Payments, which is projected to experience a growing surplus from this year onwards. This reflects an emerging savings surplus in the domestic economy, which, over time, will facilitate the repayment of debt by households and firms leading to a gradual recovery in their net worth and, in turn, to some recovery in spending.

As far as the public finances are concerned, the underlying situation, excluding banking sector costs, continues to improve reflecting the cumulative effect of the consolidation measures that have been undertaken so far. The Exchequer returns for the first quarter suggest that the adjustment planned for this year is broadly on track up to this point. The Government has signalled its intention to alter some specific elements of taxation and expenditure, subject to the scale of the overall adjustment being unaffected. It is worth noting that, even had there been no agreed EU/IMF Programme, tackling the day-to-day imbalance in the public finances would, in any case, have to be the key policy priority at the moment. Restoring balance in the public finances is central to re-establishing overall financial stability in the economy. Evidence that progress is being made in this regard will be a key element in restoring confidence generally over the course of this year.

Turning to the banking sector, a further series of measures are now being put in place which, in tandem with the underlying improvement in the public finances, will enhance financial stability generally. The first key element is the re-capitalisation of the banking system up to a level that leaves no doubt about its ability to deal, not just with the current challenging environment, but with a macroeconomic situation significantly worse than currently foreseen. The PCAR and PLAR exercises were based on an exhaustive examination of the loan books of the four Irish-owned banks which form the basis of the future system, AIB, Bank of Ireland, Irish Life and Permanent and EBS. This work was carried out both by the Central Bank and by independent consultants with widely recognised expertise in the field of estimating expected loan losses and took into account an adverse economic scenario. The Bank does not consider such a scenario likely, of course, but it is prudent to use this kind of adverse scenario to generate capital requirements, insulating the banks against the risk of an unexpected macroeconomic deterioration.

The detailed methods and results of the exercise are summarised in a chapter of this Bulletin. The banks in question have now been given some time to meet the recapitalisation requirements set out as a result of the exercise. While it may be possible to raise some capital from private sources, it is likely that the main source of the required €24 billion injection will be the State itself. Some of the funds required can be taken from the resources already available to the Government, such as the National Pension Reserve Fund and cash reserves.

As an inherent part of this exercise, banks are also being required to reduce their high loan to- deposit ratios through asset disposals. An allowance for an impact on capital from these disposals is built into the capital requirements. These disposals do not, however, represent so-called 'fire sales' in which forced sales in weak markets result in extremely low prices for these assets. Such an approach would not be in the interests of taxpayers and is not part of the EU/IMF package. This process of deleveraging will also be accompanied by a

reorganisation of the sector around two pillar banks, but with other banks, including existing foreign-owned banks, playing a role in providing competition. The reorganised banking system must ensure that the economy is well served with key financial services and that the inherited stock of stressed lending relationships is effectively worked out in a measured and efficient way.

As well as addressing the issues in the public finances and the banking sector, the prospects for recovery hinge on improving the competitiveness of the economy, reflecting Ireland's position as an extremely open economy in a very globalised international trading environment. There are a number of facets to competitiveness. The relative costs of producing output, in terms of labour costs, continues to decline relative to most of the country's trading partners, although as noted in previous Bulletins, the overall improvement is flattered somewhat by sectoral changes. The relative growth of high-productivity activities relative to low productivity ones is, of course, a positive development in the medium term, but it does lead the overall indicators to paint too favourable a picture of developments at a sectoral level. While many prices and earnings have adjusted to changed circumstances, this has not been universal. The price level for many services remains higher than it should be, reflecting insufficient competition. In addition, inadequate flexibility in some areas of the public sector continues to impose a burden on the economy as a whole. A failure to tackle these issues now will hold the economy back from achieving its potential growth and hinder the recovery in output, employment and living standards.

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

Central Bank of Ireland Issues €20 Coin featuring Celtic High Cross

18 April 2011

Central Bank launches one of the smallest coins in the world

The Central Bank of Ireland today launched a special edition €20 gold proof collector coin featuring the Celtic High Cross. The coin is one of the smallest in the world at just 11 millimetres in diameter and 0.5g in weight and its design is the work of renowned Irish artist Thomas Ryan.

The miniature coin pictures the Celtic High Cross in a monastic setting alongside the Irish Round Tower and bears the Irish Harp in exceptional detail. The coin was designed by Thomas Ryan who has commissioned a number of significant Irish coins including the 1990 £1 coin featuring the red deer and the 1988 Dublin Millennium 50 pence coin.

Speaking at the National Museum of Ireland, Collins Barracks for the launch, Mary O’Dea, Director of Financial Operations at the Central Bank of Ireland said: ‘The Celtic High Cross holds a significant place in our heritage with many of these monuments dating back as far as the 8th century. Today is an opportunity to celebrate the rich cultural and Christian heritage associated with these monuments and the Central Bank of Ireland is delighted to pay tribute to Ireland’s magnificent High Crosses with the issue of this very special €20 coin.’

The €20 gold proof coin, which has an issue limit of 12,000 units, is available to the public from 18 April at a cost of €40 per coin. Each coin is displayed in a special presentation case and is accompanied by a numbered Certificate of Authenticity specifying the quality of the coin and the limited issue. The coin can be purchased directly from the Central Bank of Ireland, Dame Street, Dublin.

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 (TPG Securities, Switzerland)

19 April 2011

The Central Bank of Ireland today published a warning notice on TPG Securities (Switzerland). The firm is not authorised as an investment firm in Ireland and has been offering investment services and investment advice 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 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, 85 warnings naming 158 firms have been issued.

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

Central Bank of Ireland Publishes Findings of Complaints Handling Inspection in Insurance Firms

19 April 2011

The Central Bank of Ireland today published the findings of an inspection of complaints handling processes in insurance firms. The inspection examined whether insurance firms were in compliance with the requirements of the Consumer Protection Code (the Code), which sets out specific rules on how firms must handle consumer complaints. Over 600 individual complaints across twelve insurance firms were inspected.

Overall, the findings of the inspection were disappointing as none of the firms inspected were fully compliant with all the requirements of the Code. The inspection found a number of firms had a particularly low level of compliance in relation to complaints handling, while less serious breaches were found in others. Compliance issues identified during the inspection are being followed up individually with the firms concerned and the Central Bank is considering enforcement action for a number of firms following the findings of this inspection.

Director of Consumer Protection, Bernard Sheridan, said: 'It is essential that consumers feel they can make a complaint and that it will not be a difficult or prolonged process. The Consumer Protection Code requires that a firm's complaints resolution process is fair and effective and the findings of this inspection are of particular concern considering the prescriptive nature of the rules contained within the Code. The Central Bank expects full compliance with all aspects of the Code'.

The inspection highlighted a number of specific concerns including:

Requirement to provide a point of contact: Instances were found in all firms that consumers were not provided with details of an individual point of contact until the complaint was resolved or could not be processed any further. Where a point of contact was not provided, the Central Bank found that consumers had to reiterate details of their complaints to a number of different individuals, which increased the duration of the complaints process and led to further consumer dissatisfaction.

Information on the Financial Services Ombudsman: Six firms did not inform the consumer of their right to refer the matter to the Financial Services Ombudsman (FSO), or did not provide the consumer with the contact details of the FSO. Access to the FSO is an important element of the complaints process and the Code requires that consumers are made aware of their right to access this service.

Requirement to acknowledge complaints in writing: Instances were found in all firms where they did not acknowledge complaints in writing within five business days of the complaint being received, as required by the Code. In some cases firms did not issue an acknowledgement at all. In others the acknowledgement

was issued, but not within the required timeframe of five business days. It is important that consumer complaints are acknowledged in a timely manner so that consumers are assured their complaint has been received and will be dealt with.

The Central Bank has informed all insurance companies of the findings to ensure they handle complaints in the best interests of consumers.

Decisions Taken by the Governing Council of the ECB (in addition to decisions setting interest rates) April 2011

21 April 2011

The Decisions taken by the Governing Council of the ECB (In addition to decisions setting interest rates) for April 2011 have been published.

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

Euro Area Bank Lending Survey Q1 2011 - Irish Results

27 April 2010

The results of the Euro Area Bank Lending Survey for Q1 2011, including Irish results, have been published.

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

Response to Quinn Insurance Limited Sale Announcement

The Central Bank notes the announcement by the Joint Administrators of Quinn Insurance Limited (QIL) (under administration) of the acquisition by Liberty Mutual Direct Insurance Company Ltd of certain assets and liabilities of QIL and the Joint Administrators estimated call of €600 million on the Insurance Compensation Fund (ICF). The need to access the ICF is not unexpected in light of the serious and persistent solvency problems at QIL which led to its administration. The Joint Administrators have confirmed the solvency difficulties at QIL and have identified increased losses in the UK prior to administration.

The Central Bank will carry out a review of the financial position of the fund in the coming weeks and will make a recommendation to the Minister for Finance regarding the funding that the Minister may provide to the fund based on the outcome of this review. Any levy imposed will apply to non-life insurance companies.

The Joint Administrators will have to apply to the High Court for funding and the Accountant of the High Court will pay out amounts ordered by the court.

The Central Bank worked closely with the administrators to ensure that the funds required from the ICF were limited as much as possible. The Central Bank's main concern is to ensure that policyholders' claims are paid as they fall due.

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

Response to ILCU Announcement on Resolution Regime

29 April 2011

The Central Bank of Ireland welcomes the announcement today by the Irish League of Credit Unions (ILCU) in relation to initial discussions on the introduction of a statutory resolution regime for the credit union sector.

The ILCU has played a central role in supporting credit unions facing financial difficulties through the use of its Savings Protection Scheme (SPS). In common with other financial services providers the credit union sector has been impacted by the financial crisis. In this environment it is important that a strong and robust regulatory framework is in place to protect the movement.

The announcement today by the ILCU represents a significant step in the process to establish a statutory resolution regime to place the credit union sector on a stable long term footing to best meet the needs of credit unions and their members.

The Central Bank will continue to engage with the ILCU, and other credit union representative bodies, on the progression of new measures to ensure the long term stability of the sector.

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

Central Bank Publishes Consultation on New Corporate Governance Standards Proposed for Captive Insurers and Reinsurers

29 April 2011

Consultation Seeks to Introduce New Rules

The Central Bank today issued a public consultation on new corporate governance standards for captive insurance companies and captive reinsurance companies. Consultation Paper CP53 on Corporate Governance Code for Captive Insurance and Captive Reinsurance Undertakings (captives) sets out proposed minimum requirements as to how captives should organise the governance of their institutions including membership of the Board of Directors and the role of the Chairman.

In November 2010, when launching its Corporate Governance Code for Banks and Insurance Companies, the Central Bank undertook to work with industry and develop a proportionate corporate governance regime for captives, which would reflect the nature, scale and complexity of the business of captives.

It is proposed that the requirements will apply to all captives authorised by the Central Bank including Irish authorised subsidiaries of international financial services groups.

The consultation paper sets out the minimum standards and expectations that will apply to the boards of directors of captives.

These include:

- A minimum of three directors on the Board;
- A minimum of 2 board meetings per year;
- Limits on the number of directorships which directors may hold to ensure they can comply with the expected demands of board membership of a captive or any other 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; and
- A requirement for an annual confirmation of compliance to be submitted to the Central Bank.

This consultation paper is part of a wider strategy to update the domestic regulatory framework. In addition to this proposed Code and the Corporate Governance Code which currently applies to banks and insurance companies, corporate governance frameworks for other industry sectors are also planned. The Central Bank has invited funds industry representatives to work on an appropriate corporate governance code for the funds industry. The Registrar of Credit Unions will be liaising with the Credit Union sector to develop an appropriate corporate governance regime for Credit Unions.

Failure to comply with the requirements may be subject to sanction under the Administrative Sanctions Framework. The enhancement of corporate governance together with more intrusive supervision and a credible threat of enforcement will contribute to the improvement of the resilience of the Irish financial sector.

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

Central Bank Publishes Updated March 2011 Money and Banking Statistics

29 April 2011

The Central Bank has today published updated Money and Banking Statistics to the end of March 2011.

The related data tables are available in the statistics area of the Central Bank website.

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

Central Bank Announces Second Series of Credit Union Regulatory Forums

12 May 2011

The Central Bank has announced that the second series of Credit Union Regulatory Forums will begin in Cork today. The Regulatory Forum follows on from the inaugural series of meetings last year and offers credit union officers who hold key governance positions an opportunity to discuss regulatory policy, operations and the future shape and direction of the sector. Discussions will focus on regulatory strategy, corporate governance, restructuring, loan book reviews, and the 2011 year-end process.

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James O’Brien, Registrar of Credit Unions said ‘We are aiming to build on the positive discussions we had directly with individual credit unions last year and work together to ensure that the credit union sector is put on a sound footing and is viable in the long term. We will outline our strategy for the sector, which is based on protecting its stability and individual members’ savings. We welcome the direct interaction at the Forum, which provides a valuable input in shaping regulatory policy.’

The series of meetings with credit unions will be held nationwide over the coming weeks, with further meetings taking place in Dublin, Limerick, Athlone, Sligo and Kilkenny.

Attendance at the Forums is by invite only to credit union officials. The meeting schedule for the Regulatory Forum is:

Date	Location
12 May	Cork
18 May	Dublin
19 May	Limerick
24 May	Dublin
25 May	Athlone
26 May	Sligo
1 June	Kilkenny

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 - March 2011

12 May 2011

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-March 2011. 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 March, as well as the market valuation of outstanding equity shares by sector of issuer at end-March. The sectors of the issuers are: monetary financial institutions; other financial intermediaries; Government; non-financial corporates; and insurance companies and pension funds.

- At end-March 2011, the outstanding amount of debt securities issued by Irish financial and non-financial firms, and the Government was €1.04 trillion, comprising €774 billion in Euro denominated securities and €270 billion in non-Euro denominated securities. The pace of decline in debt issuance continued during March, across most sectors of the economy, particularly in long-term debt securities. There were significant redemptions of long-term debt securities by both the non-banking financial sector and the banking sector in March.
- Long-term Government bonds remained outstanding at €90 billion at end-March.
- Developments for market-based debt financing for the banking sector comprised net redemptions of €5.7 billion across short and long-term debt securities during March.
- There were significant contractions in the debt refinancing activity of the other financial intermediary sector during March concentrated in debt securities with an original long-term maturity. Debt securities amounted to €817 billion at end-March for this sector. The decrease compared with end-February largely arose from redemptions of €10.6 billion worth of long-term securities. 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 National Asset Management Agency is also included in this sector.
- The outstanding debt securities of non-financial corporates, and insurance companies and pension funds were €3.5 billion and €2.2 billion, respectively, at end-March 2011.
- Equity securities, excluding investment fund shares/units, had an outstanding amount of €175 billion at end-March, mainly comprising equities quoted on stock exchanges. Declining values of the banking sectors shares and the non-financial corporate contributed significantly to the reduced outstanding amount of equity securities.

Detailed tables can be found on the Central Bank of Ireland’s website. The data are largely compiled from an ESCB securities reference database, the Centralised Securities Database.

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

Quarterly Financial Accounts for Ireland: Q4 2010

18 May 2011

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 corporates, financial corporates 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 Q4 2010. An overview of some notable trends in households, Government and non-financial corporates is outlined below.

Household sector results show:

- Household net financial wealth increased by 6 per cent during Q4 2010, reaching €99 billion or €22,125 per capita. Net financial wealth has been on an upward trend since Q1 2009, increasing by 70 per cent over the period. This trend has been due to two factors: appreciating asset values as they recover value lost during the financial crisis and declining loan liabilities, as households borrowed less and repaid existing loans.
- Household liabilities decreased further in Q4 2010, to stand at €194 billion. This contributed towards a cumulative decline in liabilities of nearly €18 billion or €3,983 per capita from their peak in Q4 2008.
- Households continued to be net lenders in Q4 2010, reflecting both continued investment by households in financial assets, as well as a further reduction in household liabilities. High household net lending figures indicate that household saving continues to be high in Q4 2010.
- Households continued a process of deleveraging in Q4 2010 with loan repayments continuing to exceed new loans. This led to the largest quarterly decrease in household liabilities to date. This is also seen in the continued decline in households' investment in financial assets as more of their resources are devoted to debt repayment.

Government sector results show:

- Total government liabilities fell in Q4 2010, despite an increase in the promissory note issued over the period. Results show that total liabilities fell by €2 billion over the quarter to €150 billion. The decline in liabilities occurred as Government used deposits built up in previous quarters to repay debt securities in Q4 2010, and as the sovereign

market turmoil led the market value of Government securities to fall. Overall securities fell by €14 billion over the quarter.

- The Q4 2010 Irish Government deficit includes capital transfers into Anglo Irish Bank, Irish Nationwide Building Society of €6.4 billion and €2.7 billion, respectively. This represents the final instalment of the 2010 promissory notes to the banks. The deficit also includes a capital transfer of €525 million to EBS. The cumulative deficit-increasing capital injections totalled €35.56 billion in 2010. The results show that the Irish deficit continued to increase in Q4 2010.

Non-Financial Corporate sector results show:

- The non-financial corporate sector has grown substantially since 2002. The results show that the stock of financial assets has resumed an upward trend over the quarter. Total financial assets now stand at €614 billion; the highest level recorded since the series began in Q1 2002.
- Total liabilities have increased by 4.4 percent over the quarter to reach €834 billion in the current quarter. The net financial wealth^[2] of the non-financial corporate sector recorded a 9.2 per cent decrease, to stand at minus €220 billion in Q4 2010; the lowest level in the recorded series.
- From Q3 2004 onwards, funding through loans tended to be proportionately higher than equity funding. This trend was reversed in Q1 2010, as credit from credit institutions declined. The increasing reliance on equity funding, as opposed to loans, continued in Q4 2010; with a 3.2 per cent increase in the proportion of funding from equity, and a corresponding 3.6 per cent decrease in funding from loans. Loans to non-financial corporations as a proportion of total liabilities have declined every quarter since Q4 2008, reflecting in part the substantial growth in the non-financial corporate reporting population.

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

[2] Net financial wealth is defined as the difference between financial assets and liabilities. It should be noted that net financial wealth does not include non-financial assets.

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

Latest Mortgage Arrears Data show 6.3% of Mortgage Accounts in Arrears - Central Bank Urges Consumers to Engage with Lenders

19 May 2011

The Central Bank today publishes the latest data on mortgage arrears and repossessions for the period ended March 2011. The figures show that 6.3% of private residential mortgage accounts are in arrears for more than 90 days.

Director of Consumer Protection, Bernard Sheridan, urged consumers struggling with mortgage repayments, or at risk of falling into difficulty, to contact their lender as early as possible so that they can benefit from the protections offered by the Central Bank's revised Code of Conduct on Mortgage Arrears. He said: 'Households should not struggle to deal with their mortgage payments or arrears on their own. Mortgage lenders must work with their customers to help them through their difficulties and, where appropriate, agree a manageable and sustainable solution. The continued increase in restructuring arrangements shows that more borrowers are availing of the benefits and protections offered to them through our revised mortgage arrears rules, which came into effect in January and with which lenders must comply.'

The figures show that at the end of March 2011 there were 782,429 private residential mortgage accounts held in the Republic of Ireland to a value of almost €116 billion. Of these, 49,609 accounts, or 6.3%, were in arrears for more than 90 days. This compares with 44,508 accounts (5.7% of total) that were in arrears for more than 90 days at the end of December 2010. The data shows that overall mortgage debt outstanding for private residential mortgages decreased by €725.6 million since the fourth quarter of 2010.

The figures also show there was a total stock of 62,936 residential mortgage accounts that were categorised as restructured at the end of March 2011. Of this total 36,662 are not in arrears and are performing as per the restructured arrangement. The balance of restructured accounts (26,274) have arrears of varying categories (arrears both less than and greater than 90 days). Therefore, 86,271[1] accounts are either in arrears greater than 90 days or have been restructured and are not in arrears as at the end of March 2011.

The Central Bank has also published a guide for consumers on the new mortgage arrears code and a frequently asked questions document which are available on the website at: [Consumer Guide](#) and [Frequently Asked Questions](#).

Note on Data on Restructuring

It should be noted that the number of restructured accounts with arrears at the end of March 2011 does not indicate the level of mortgages that have slipped back into arrears after initial restructuring. In other words, the 26,274 restructured accounts that are in arrears are comprised of loans that had

arrears both prior to restructuring (but are now performing according to the new arrangement), and those loans that have slipped back into arrears post restructuring. Furthermore, the increase of 3,707 in the total stock of restructures from the end of December 2010 is not due exclusively to new restructures in the quarter, as some restructuring arrangements that would have been in place at the end of December 2010 have expired by the end of March 2011. As a result, those accounts whose arrangements expired at some point in the first quarter of 2011 are not included in the overall stock at the end of March 2011.

1. Arrears Data

As at the end of March 2011, there were 49,609 mortgage accounts in arrears for more than 90 days. Of these there were 35,341 mortgage accounts, or 4.5% of the total outstanding mortgage accounts, more than 180 days in arrears. In value terms, €9.6 billion was owed in relation to all accounts more than 90 days in arrears, of which €7.0 billion was owed on accounts more than 180 days in arrears. The number of mortgage accounts in arrears for more than 90 days at the end of March 2011 increased by 11.5% since the end of December 2010. This rate of increase has grown from the 10% increase that took place from the end of Quarter 3 2010 to the end of Quarter 4 2010.

6,658 formal demands issued by lenders were outstanding at the end of March 2011; a 14.6% increase from the 5,812 formal demands outstanding at the end of December 2010. The 6,658 formal demands contained arrears amounting to €124.4 million on outstanding mortgages totalling €1.3 billion.

There was a decrease of 2.9% in the number of outstanding arrears cases where court proceedings had been issued to enforce the debt/security on the mortgage to 2,984 at the end March 2011. The arrears value on such cases increased slightly by 1.8% to stand at €108.7 million on outstanding mortgages totalling €752.2 million.

2. Court Proceedings

During the quarter ended March 2011, mortgage lenders applied to Court to commence proceedings to enforce the debt/security in 175 cases. This is a decrease of 41.1% on the number of cases reported in the quarter ended December 2010, and these 175 cases comprised arrears totalling €6.6 million built up on mortgage loans equating €71.6 million.

During this quarter, 231 court proceedings were concluded. Of these, the Courts granted orders for possession/sale in 136 cases which included 13 orders to perfect the title because properties were voluntarily surrendered and 12 orders because the properties were abandoned. The remaining 111 orders were obtained to enforce the debt/security on a mortgage. In the 95 cases where no orders for possession/sale were obtained, 37 were settled by renegotiating the

term and/or other conditions of the mortgage. The reasons why no orders for sale/possession were obtained in the remainder of these cases (58) were due to properties being voluntarily surrendered, abandoned or that the court proceedings were settled on other terms.

3. Repossessions

At the beginning of the first quarter of 2011, mortgage lenders held a stock of 585 repossessed residential properties. A further 140 were repossessed during the quarter of which 49 were repossessed on foot of Court Orders and 91 were repossessed following voluntary surrender or abandonment. These 140 repossessions compare with 106 repossessions that took place in the fourth quarter of 2010. A total of 33 properties were disposed of during the quarter ended March 2011; down from 42 property disposals in the fourth quarter of 2010. Mortgage lenders held 692 repossessed residential properties at the end of March 2011.

4. Restructures

There was a total stock of 62,936 residential mortgage accounts classified as restructured at the end of March 2011; a 6.3% increase from the 59,229 reported at the end of December 2010. The stock at the end of March 2011 held a value of €11.0 billion and contained arrears of €169.8 million. Of this total stock of restructures, 36,662 accounts, with a value of €6.2 billion, are not in arrears as at the end of March 2011. The remaining 26,274 accounts, with an outstanding balance value of €4.9 billion, possess arrears that are both greater and less than 90 days. Interest only restructures account for the majority of the number of mortgages that have been restructured (37.3%); while reduced payments (that are either paying greater or less than interest only) also comprise a large percentage of restructures (28.2%).

By summing the number of mortgage accounts in arrears for more than 90 days reported in Section 1 above with the number of mortgage accounts performing as per the restructured arrangement (that possess zero arrears), it shows that a total of 86,271 accounts are either in arrears greater than 90 days or have been restructured due to financial distress as at the end of March 2011.

[1] Sum of 49,609 plus 36,662

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) May 2011

20 May 2011

The Decisions taken by the Governing Council of the ECB (In addition to decisions setting interest rates) for May 2011 have been published.

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

Central Bank Inspection Identifies Errors in Bank Products with Promotional Interest Rates

20 May 2011

The Central Bank of Ireland today (20 May 2011) published the results of a themed inspection of products sold by banks with promotional interest rates. The inspection identified a number of concerns including interest rate errors on homeloan products and misleading advertising.

The inspection examined deposit and homeloan promotional interest rate products from six banks in terms of how they were advertised and sold to consumers and whether the terms and conditions of products were complied with by banks, particularly when the promotional interest rate period expired. Deposit and homeloan promotional interest rate products were identified as potential areas of consumer risk based on the experience of dealing with charging errors previously identified in banks. The Central Bank inspection examined five deposit products and six home loan products in six banks, for over 112,000 customers, and 200 customer and 40 complaint files were reviewed.

Director of Consumer Protection, Bernard Sheridan, said: 'Some promotional rate products can appear to be very attractive to consumers. However, consumers must be aware that the benefits usually only apply for a limited time and can be subject to restrictions. Our inspection found that in a number of cases, consumers did not receive the full benefit promised. We are working to ensure that affected customers are identified and refunded by the institutions.'

The Central Bank has informed all banks of the findings and requested that they be considered fully in the context of all products they offer.

The main issues identified were:

Interest rate errors – corrections and refunds

In the case of several homeloan products, errors were identified where customers did not receive the full period (365 days) at the promotional or discounted rate. Fixed rate homeloan customers were also affected, although fixed rate homeloans were not within the scope of this inspection. It was found these errors could have been avoided if the product development process included a thorough end-to-end check of IT systems at the banks concerned.

An investigation is ongoing at one bank to rectify the issue, while refunds are in the process of being issued to customers affected at another. The Central Bank is particularly concerned to see that IT systems could not deliver the terms and conditions of the products examined, despite having previously raised this issue with the banks. The Central Bank is engaging with the banks involved to ensure that the errors in their systems and procedures are corrected.

Misleading advertising

In the case of one deposit product, two brochures were examined and were considered to be unfair and misleading to customers. The brochures advertised an attractive equivalent annual rate, and information relating to the minimum rate payable, which should have been highlighted, was not clearly presented to the customer. Within nine months of issuing the brochure, the rate payable on the account was the minimum rate. In this case it was determined that customers were misled on the actual rate that could be achieved. The relevant bank is now in the process of recalculating the interest for each customer as if they had received the advertised rate for the entire year, and refunds will be made.

Requirement to retain application forms

The inspection found that two banks had difficulty locating signed application forms submitted by customers for homeloan/mortgage products. Banks are required to retain all applications completed or signed by customers and have been requested to review their retention policies and to make business units aware of the importance of compliance.

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

Central Bank Data on Investment Funds to March 2011

26 May 2011

The Central Bank today publishes statistics for Q1 2011 on investment funds^[1] (IFs) resident in Ireland.^[2] The data show that the value of Irish resident investment funds' shares/units in issue increased only marginally, by €2.5 billion, between Q4 2010 and Q1 2011. While inflows of €15.2 billion were recorded, this was nearly offset by negative valuations effects of €12.7 billion. The €2.5 billion increase in value compares to an increase of €65.7 billion over the previous quarter, which was evenly divided between increased transactions and positive revaluations. The investment fund industry in Ireland represented 11 per cent of total shares/units in issue by euro area funds at end-March 2011.

- New funds with shares worth over €3.8 billion were launched during the first quarter of 2011. The value of shares in issue in the euro area also increased marginally during Q1 2011, by €3.5 billion, compared with €232.5 billion during Q4 2010. While shares in issue increased in Ireland over the quarter, many euro area countries recorded declines. Similar to Ireland, there were net purchases of investment fund shares over the quarter of €55.4 billion in the euro area, but negative revaluations of €51.8 billion almost cancelled out the increase, leading to the low rise in the value of shares in issue over the quarter.
- In Q1 2011, Irish resident investment funds held 54 per cent of their assets under management (AUM) in shares and other equities, including investment fund and money market funds (MMF) shares. When IF and MMF shares are excluded, the balance of equities held were mostly concentrated in shares issued by non-euro area residents. However, just over half of IF and MMF shares held were issued by Irish resident funds. This may indicate the presence of funds-of-funds, or feeder funds, in Ireland.
- During 2010, there were substantial inflows into bond funds in Ireland and the euro area. In Q1 2011, bond funds continued to record the largest inflow in the aggregate euro area; however, in Ireland equity funds recorded the largest inflows over this period.
- Nearly three quarters of Irish resident investment funds' AUM were invested in products 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 AUM for the total euro area.
- About 65 per cent of total Irish investment funds' shares/units in issue were held by non-euro area residents in Q1 2011. A further 30 per cent was 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, 77 per cent of all shares in issue by investment funds in the euro area were held by euro area residents.

Equity Funds

- Equity funds accounted for €2 billion of the €2.5 billion increase in the value of investment fund shares in issue over the quarter. This was apportioned between devaluations of €5.5 billion, and inflows of €7.5 billion.
- In the euro area, however, the value of equity funds in issue declined by €16.2 billion.
- Taking exchange rate effects into account, leading stock market indices recorded declines over the period.

Bond Funds

- Bond funds' shares in Ireland decreased by €2.4 billion during the first quarter of 2011, again mostly due to negative revaluations. This was largely due to a fall in the value of bonds held by bond funds.
- The value of bond funds in the euro area fell by close to €10 billion over the quarter. This was also caused by negative revaluations in their holdings of bonds.

Hedge Funds

- Hedge funds were one of the few fund types to record positive revaluations in Ireland over the quarter; however, the amount was small.
- Hedge funds achieved this by investing in bonds and equities that did not decline in aggregate over the quarter.
- A positive increase in the value of shares in the euro area aggregate was also recorded. On the assets side of euro area hedge funds' balance sheet, however, there were some negative revaluations, mostly concentrated in their holdings of shares and other equities.

Remaining Funds

- Most of the inflows into euro area shares over the quarter were into remaining fund types, which consist of mixed, real estate and other funds.
- In aggregate, remaining fund types also recorded small positive revaluations in the euro area, namely in real estate and other funds.

[1] The information collected by the Central Bank of Ireland contains detailed quarterly balance sheet data on outstanding stocks and transactions, along with a monthly breakdown of outstanding shares/units issued by investment funds, by fund type. The investment funds data do not include money market funds (MMFs).

[2] There was a reclassification in the December 2010 data from non-financial assets to remaining assets.

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

Central Bank Publishes Comment and Response to Submissions on Impact Metrics Consultation

27 May 2011

The Central Bank of Ireland today published its response to submissions received on consultation paper CP49 - Consultation on Impact Metrics for the Risk Based Supervision of Financial Firms and on Impact Based Levies. The consultation paper outlined proposed metrics to enable the categorisation of all regulated entities based on their impact on the financial system and consumers, and set out how the Central Bank plans to categorise firms into different impact categories for which different supervisory approaches will be adopted.

Following an extensive consultation period and reference to international best practice, the Central Bank has chosen appropriate metrics to gauge the impact of a firm's failure on the Irish economy and consumers. Firms will be allocated to impact categories: High, Medium High, Medium Low and Low. The Central Bank will notify individual firms of the impact category it has been assigned to on a phased basis. It is not intended that the categorisation of firms will be published.

The consultation also sought submissions on the proposed introduction of Impact Based Levies. The use of impact metrics to provide the basis for funding levies is not anticipated to begin until after the metrics have been 'road tested' and deemed appropriate for the allocation of supervisory resources. Any changes to the way in which levies are calculated would be the subject of a separate consultation exercise.

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

Publication of 2010 Annual Report and Financial Regulation Annual Performance Statement

30 May 2011

The Central Bank of Ireland today published its Annual Report 2010 and Annual Performance Statement Financial Regulation 2010 – 2011.

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

Central Bank Publishes April 2011 Money and Banking Statistics

31 May 2011

The Central Bank has today published Money and Banking Statistics to the end of April 2011.

The related data tables are available in the statistics area of the Central Bank website.

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

Central Bank Publishes Results of Anglo Irish Bank and Irish Nationwide Building Society Loan Loss Assessments

31 May 2011

The Central Bank of Ireland today published an addendum to the Financial Measures Programme Report detailing the results of an independent review of Anglo Irish Bank ('Anglo') and Irish Nationwide Building Society ('INBS').

This review, completed by BlackRock Solutions ('BlackRock'), and assessed by The Boston Consulting Group, has sought to develop an independent view on the loss estimates that were used in the last capital estimation exercises for Anglo and INBS. These exercises were the key drivers of the previous requirements for additional capital. Each institution has been assessed separately.

Irish Nationwide Building Society (INBS)

The approach for INBS is similar to the process used for AIB, Bank of Ireland, EBS and Irish Life and Permanent in March 2011. This is because an independent review of INBS's portfolio had not been performed for over a year.

The loan loss assessment models for INBS covered the residential mortgages, commercial real estate lending and non-mortgage consumer and other lending portfolios. BlackRock has applied detailed loan loss forecasting models, based on lifetime loss forecasts, to analyse the INBS loan portfolios as of 31 December 2010.

This assessment has concluded that the loan loss forecasts, which were estimated for the capital calculation of INBS last September, remain robust.

Anglo Irish Bank (Anglo)

For Anglo, the Central Bank decided, with the agreement of the External Partners^[1], that recent reviews^[2] were current enough to deem a full BlackRock exercise unnecessary. The Central Bank oversaw these reviews at the time. In addition to that work, BlackRock has performed an assessment of the loan loss estimates prepared for the previous capital assessment exercise to form an opinion on the reasonableness of the approach and the results.

The conclusion of this work is that the previous results remain reasonable and within the ranges BlackRock derived from its analysis.

[1] EU, IMF and ECB

[2] The earlier reviews were conducted by PwC for the Department of Finance and Central Bank and by Anglo management (with material assistance from an outside consultancy firm).

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

Design Competition for Collector Coin

In 2012, the Central Bank of Ireland will issue a €10 silver proof coin as part of the European Silver Coin Programme. The European Silver Coin Programme provides an opportunity for each Eurosystem country to issue a collector coin, on an annual basis, under one centrally agreed general theme. The Central Bank of Ireland has participated in this programme each year since 2006. Previous coins issued as part of this programme included the €10 Silver proof coin celebrating the voyage of St. Brendan the Navigator in 2011 and the €10 Silver proof coin marking the 25th anniversary of An Gaisce in 2010. The theme for 2012 is European Artists.

Artists and designers who would like to participate are invited initially to submit their Curriculum Vitae and samples or evidence of previous works for consideration. Candidates will be shortlisted based on their submissions by an independent panel of experts. The shortlisted candidates will be invited to participate in the design competition and will receive a design brief, together with the technical specifications of the coin. Shortlisted candidates will receive a design fee, subject to compliance with the design brief provided. The winning candidate will receive a further payment in respect of the winning design.

Submissions should be sent to the address below to be received no later than 15 July 2011.

2012 European Coin Competition

Central Bank of Ireland

Currency Centre

PO Box 61

Sandyford Road

Dublin 16

Ireland

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 Firms

3 June 2011

The Central Bank of Ireland today published a warning notice on two firms: Futuro Financial (Japan) and Tortola Capital (Hungary, The Bahamas, British Virgin Islands, Hong Kong and Belgium). These firms are not authorised as investment firms in Ireland and have been offering investment services and investment advice 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 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, 86 warnings naming 160 firms have been issued. A list of all warning notices issued to date is available on the website.

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

Statement on Central Bank of Ireland's Investigation into Anglo Irish Bank and Persons Concerned in its Management

Statement 3 June 2011

The Central Bank's investigation into Anglo Irish Bank and persons concerned in its management (Anglo) is continuing. At an early stage in the investigation, the Bank notified the Gardaí and the Office of the Director of Corporate Enforcement (ODCE) of certain suspected offences. Regular liaison with these agencies is continuing. As part of that liaison process, we recently advised the Gardaí of our intention to examine specific issues arising from our investigation. The Gardaí have informed us, following consultation with the Director of Public Prosecutions, that to proceed with our examinations at this time may prejudice any future criminal prosecutions. Accordingly, we have decided to defer our examination but we will keep this decision under review.

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

Financial Measures Programme Report

On Tuesday 31st May the Addendum to the Financial Measures Programme Report was published detailing the results of an independent review of Anglo Irish Bank and Irish Nationwide Building Society.

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 Scotiabank (Ireland) Limited

8 June 2011

The Central Bank of Ireland (“the Central Bank”) has entered into a Settlement Agreement with effect from the 2nd June 2011 with Scotiabank (Ireland) Limited (“the firm”), a regulated financial service provider in relation to breaches of regulation 16 of the European Communities (Licensing and Supervision of Credit Institutions) Regulations 1992 and section 10 of the Central Bank Act 1971.

Five breaches were identified. These breaches related to:

1. The firm failing to provide accurate information in liquidity reporting returns from the 28th September 2007 to 27th June 2008 and from the 4th December 2009 to 5th March 2010 as a result of which there was a failure to comply with liquidity ratios in 14 returns during the first period.
2. The firm failing to have adequate controls and checks to verify the liquidity return process.

The Central Bank reprimanded the firm and required it to pay a monetary penalty of €600,000.

In 2008 the firm notified the Central Bank that the calculations of the quantitative liquidity ratios performed by the firm were incorrect. Allowable discounted liquid assets were overstated by US\$300 million due to the inadvertent inclusion of certain Investment Grade Securities in the calculation; the calculation of cash flows did not include all interest inflows and outflows for Interest Rate Swaps on the basis of contractual terms; and, the calculation of cash flows did not include all cash inflows and outflows relating to certain other derivative and related transactions. Access to appropriate levels of funding was available to the firm.

In April 2010 the firm notified the Central Bank that an automated programme error had been discovered in 12 of the firm’s Weekly Liquidity Returns between December 2009 and March 2010. These errors related to the calculation of the cashflows reported with respect to two reverse repo transactions, and resulted in an understatement of cash outflows of approximately US\$106 million.

The Central Bank has taken into account:

- the breaches were not deliberate;
- that the firm reported these failures to the Central Bank;
- the extensive remedial steps taken by the firm to rectify the contraventions; and
- the cooperation of the firm during 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.

Website Re-Organisation

The Central Bank website content has been re-organised. The aim of the change is to provide easier and more intuitive access to information you require from the Central Bank.

How does this affect you?

As a result of this reorganisation, some of our webpage addresses have changed. If you have added bookmarks / favourites to the Central Bank, or if you are subscribed to an RSS feed on the site, you will need to update to the new addresses. If you need to find the new location of the links you require, you can use the Search functionality to locate it.

How the site is structured

The site has been broken into six distinct areas

- Monetary Policy and Operations
- Financial Stability
- Financial Regulation
- Consumer Protection
- Economic Policy and Statistics
- Payments Systems and Currency

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 April 2011

14 June 2011

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-April 2011. 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 April, as well as the market valuation of outstanding equity shares by sector of issuer at end-April. The sectors of the issuers are: monetary financial institutions; other financial intermediaries; Government; non-financial corporates; and insurance companies and pension funds.

- At end-April 2011, the outstanding amount of debt securities issued by Irish financial and non-financial firms, and the Government was €1.04 trillion, comprising €781 billion in Euro denominated securities and €257 billion in non-Euro denominated securities. The pace of decline in debt issuance continued during April, albeit at a slower pace than March, across most sectors of the economy, particularly in long-term debt securities. There were significant redemptions of long-term debt securities by both the non-banking financial sector and the banking sector in April.
- Long-term Government bonds remained outstanding at €89.7 billion at end-April.
- Developments for market-based debt financing for the banking sector comprised net issuances of €1.4 billion across short and long-term debt securities during April.
- There were significant contractions in the debt refinancing activity of the other financial intermediary sector during April concentrated in debt securities with an original long-term maturity. Debt securities amounted to €813 billion at end-April for this sector. The decrease compared with end-March largely arose from net redemptions of €5 billion worth of long-term securities. 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 National Asset Management Agency is also included in this sector.
- The outstanding debt securities of non-financial corporates, and insurance companies and pension funds were €2.9 billion and €2.1 billion, respectively, at end-April 2011.
- Equity securities, excluding investment fund shares/units, had an outstanding amount of €181 billion at end-April, mainly comprising equities quoted on stock exchanges. Declining values of the banking sectors shares and the non-financial corporate contributed significantly to the reduced outstanding amount of equity securities.

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

Central Bank Inspection Identifies Compliance Concerns in Contracts for Difference and Financial Spread Betting Firms

16 June 2011

The Central Bank of Ireland today published the findings of a themed inspection of contracts for difference (CFD) and financial spread betting firms.

The inspection examined firms' compliance with certain conduct of business requirements of MiFID (Markets in Financial Instruments Directive) Regulations including procedures for accepting clients and the quality and type of information provided to clients and potential clients. Four firms were inspected and approximately eighty files were reviewed. The inspection found that none of the firms inspected were fully compliant with the MiFID Regulations examined while a number of firms had a particularly low level of compliance with less serious breaches found in others.

Head of Consumer Protection, Sharon Donnery said: 'Consumers need to be made fully aware of the complexity and very high risks of CFD and financial spread betting before making investment decisions. Losses can be substantial and people should know what they are getting into. The Central Bank is concerned that none of the firms inspected were fully compliant with the regulations in this area. In particular, some of these investment firms are failing to fully inform and provide adequate warnings to consumers of the risks that CFD and financial spread betting carries before they begin trading.'

Compliance issues identified during this inspection are being followed up with the firms concerned and the Central Bank is considering enforcement action in some cases. The Central Bank has informed all CFD and financial spread betting firms of the findings and has requested that they are considered in the context of their businesses.

The main inspection findings are:

Lack of sufficient information gathered by firms: It was found that a significant proportion of application forms used by firms were inadequate and did not obtain sufficient information on clients' knowledge and experience with financial transactions. It was also noted that many application forms had not been fully completed by clients.

Inadequate assessment of appropriateness: Under the MiFID Regulations firms are required to take into account the information gathered, such as the client's knowledge and experience, to assess whether the product or service is appropriate for the client. If a firm deems a product or service is not appropriate for a client or potential client, they must warn them of this. It was found in some firms that the assessments of appropriateness were inadequate or were not carried out at all. It was also noted in some firms that, where required, clients or potential clients were not warned that the service was not appropriate for them.

Misleading marketing material: In some cases the marketing material used by firms was misleading and not sufficiently balanced to outline both the benefits and the risks of CFD and financial spread betting as required under MiFID Regulations. Many promotions were found to set out the relative benefits of CFD and financial spread betting in comparison with share trading, without setting out the relative disadvantages.

Inadequate risk disclosures: Risk warnings and disclosures on websites and documentation were not always adequate to convey the risks associated with CFD and spread betting fully to clients and potential clients. For example, risk warnings should state, where applicable, that losses could exceed initial investment and should also refer to the effects of price volatility.

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

Domestic Irish Banks' Consolidated Foreign Claims - March 2011

16 June 2011

The Central Bank of Ireland today published updated statistics on the domestic Irish banking system's claims on the rest of the world.

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

Complaints Handling Inspection in Investment & Stockbroking Firms Shows Room for Improvement

17 June 2011

The Central Bank of Ireland today published the findings of a themed inspection into complaints handling procedures in investment and stockbroking firms regulated under the Markets in Financial Instruments Directive (MiFID).

The inspection examined firms' complaints handling procedures and whether firms were in compliance with MiFID. MiFID requires firms to have effective and transparent complaints handling processes, in order to ensure reasonable and prompt handling of client complaints and to keep a record of each complaint and the measures taken to resolve it. Six firms, representing almost 60 per cent of the retail client market, were selected for on-site inspection and in excess of 160 individual complaints were reviewed. A separate desk-based analysis of the complaints procedures of the 53 investment and stockbroking firms dealing with retail clients was also conducted.

Overall, the findings from the on-site inspections were positive with firms acknowledging complaints, updating clients on the status of their complaints and maintaining adequate records of complaints. All firms inspected had processes in place for escalating complaints information to senior management. The desk-based analysis found that all 53 firms had a written complaints procedure in place. However, concerns were identified in relation to the procedures including failures to provide a definition of a complaint; to acknowledge complaints in a timely manner; to keep the complainant updated on the status of the complaint; and to advise the complainant of their right to refer the matter to the Financial Services Ombudsman (FSO).

Head of Consumer Protection Division, Sharon Donnery said: 'Clients expect that all investment and stockbroking firms will handle their complaints promptly, fairly and transparently if and when they arise. Complaints provide firms with the opportunity to put things right when they go wrong and, in so doing, enhance their reputation and trust with their existing and potential clients. It is important that firms use complaints information to identify possible trends, to continuously improve procedures and controls where relevant and to prevent similar related complaints in the future.'

The desk-based study showed that:

- 57 per cent of firms did not have a definition of a complaint;
- 19 per cent of firms did not acknowledge each complaint;
- 26 per cent of firms did not provide the complainant with regular written updates; and
- 15 per cent of firms did not inform the complainant of their right to refer the matter to the FSO.

While all the firms were found to have complaints handling procedures in place, there were significant grounds for attention and improvement. The Central

Bank considers the identified failings do not meet the definition of an effective and transparent procedure for the prompt handling and resolution of complaints. The Central Bank expects the complaint handling requirements as set out in the Consumer Protection Code to be the standard used by firms and, to that effect, has issued a letter notifying all firms of these important findings. All investment and stockbroking firms have been advised to review their current procedures to ensure that they meet the standard set out in the Code and that the procedures are approved by senior management within the firms.

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 MBNA Europe Bank Limited

23 June 2011

The Central Bank of Ireland (“the Central Bank”) entered into a Settlement Agreement on 21 June 2011 with MBNA Europe Bank Limited (“the firm”), a regulated financial services provider, in relation to breaches of regulatory requirements contained in the Consumer Protection Code (“the Code”).

The firm breached the Code by failing to:

1. In accordance with General Principle 2 of the Code - act with due skill, care and diligence in the best interests of its customers; and
2. In accordance with General Principle 4 of the Code - have and employ effective resources and procedures, systems and control checks that are necessary for compliance with the Code.

The Central Bank reprimanded the firm and required it to pay a monetary penalty of €750,000.

In September 2009, the firm notified the Central Bank of an error identified during the firm’s review of amended terms and conditions introduced in July 2007. A clause in the firm’s terms and conditions relating to the application of interest charges no longer, by virtue of the change introduced, correlated with the firm’s system of charging interest to certain customers. This clause resulted in the firm:

1. Applying interest in error to credit card accounts from the transaction date rather than the statement date contrary to the terms and conditions applicable to those accounts at the time.
2. Applying interest in error to credit card accounts used exclusively for the purposes of cash advances and where the customers in question had repaid the full balance of their bill every month, contrary to the terms and conditions applicable to those accounts at the time.

These breaches occurred during the period 1 July 2007 to 26 October 2009 inclusive and resulted in 373,105 customer accounts being overcharged a total of €16,997,321.49.

The systems and controls breaches arose because the firm failed to ensure that there was consistency between the firm’s systems and the terms and conditions. It is noted that although controls existed in respect of the review process, these controls were not effective and resulted in the above detailed overcharging occurring.

The penalties imposed in this case reflect the importance the Central Bank places on consumer protection and the requirement to have adequate systems and controls (including checks on these controls) in place to ensure compliance with the requirements of the Code.

In deciding the appropriate penalty to impose, the Central Bank recognises:

- the firm reported these failures in a timely manner;
- that all affected customers were remediated by the firm, with appropriate interest, in a timely manner; and
- 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.

The Central Bank also issued a general comment from Director of Enforcement, Peter Oakes:

‘The Central Bank has previously highlighted its concerns relating to control failures that result in customers being overcharged. Overcharging of customers is highlighted as a priority area for the Central Bank in our Enforcement Strategy, and we will continue to focus resources to help achieve acceptable standards across all industry sectors. We will take enforcement action against regulated entities which fall short of the required standards and their customer’s legitimate expectations.

Terms of Business is an important document in which the firm is required to clearly set out the basis upon which it will conduct its business. Firms should review their Terms of Business regularly to ensure that it accurately reflects the terms upon which services are provided. Firms should also monitor and test their internal control systems regularly to minimise the potential for errors and ensure that errors, if they do occur, are readily and promptly identified and remediated.’

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) June 2011

24 June 2011

The Decisions taken by the Governing Council of the ECB (In addition to decisions setting interest rates) for June 2011 have been published.

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

Trends in Personal Credit and Deposits: Q1 2011

28 June 2011

This is the first release of a new quarterly statistical series detailing developments in the credit advanced to, and deposits received from, Irish private households (i.e. personal customers) by credit institutions resident in the Republic of Ireland. Developments in lending for house purchase is disaggregated by the type (e.g. variable rate, tracker rate, fixed rate) and purpose of the loan (principal dwelling, buy-to-let, holiday/second home).

Private households (personal customers) are included in the Household category in the monthly series Money and Banking Statistics, but are not separately identified on a monthly basis from sole-traders, partnerships and other non-incorporated enterprises, and not-for-profit institutions. For example, at end-March the outstanding amount of credit advanced to Households in Money and Banking Statistics was €130.5 billion, whereas credit advanced to Irish resident private households as presented in Personal Credit and Deposits was €119.6 billion. The difference between the two figures arises due to the inclusion of non-incorporated enterprises and not-for-profit institutions in the Money and Banking Statistics Households category. Similarly, Household deposits in Money and Banking Statistics at end-March were €92.8 billion, compared with private household deposits in Personal Credit and Deposits of €87.5 billion.

The total credit advanced to Irish private households of €119.6 billion on the balance sheet of resident credit institutions at end-March 2011 follows a quarterly decline of 1.3 per cent and an annual decline of 3.3 per cent. Including loans for house purchase that have been securitised and continue to be serviced by resident credit institutions, the total amount of loans to private households outstanding at end-March 2011 was €154.7 billion.

Credit Advanced to Private Households – Loans for house purchase[1]

- The annual rate of change in loans for house purchase was minus 2.6 per cent at end-March 2011. This follows a quarterly decline of 0.6 per cent, the fifth quarterly decline in a row, bringing the outstanding amount of loans for house purchase on-balance sheet to €98.9 billion. The outstanding amount of securitised mortgages was €35.1 billion at end-March.
- Floating rate mortgages, which include standard variable rate, tracker rate, and mortgages with a fixed rate up to one year[2], accounted for 86 per cent of the outstanding amount of loans for house purchase on-balance sheet at end-March 2011. Tracker mortgages by themselves accounted for 53.4 per cent of outstanding loans for house purchase to Irish residents on the credit institutions' balance sheet.

- The share of fixed rate mortgages in the outstanding amount of loans for house purchase rose during Q1 2011, as there was a net increase of just over €1 billion in fixed rate mortgages during the quarter, whereas floating rate mortgages declined by almost €1.7 billion.
- Loans for principal dwellings accounted for 74 per cent of on-balance sheet loans for house purchase at end-March. This share has been increasing since end-2009. The amount of loans for principal dwellings declined over Q1 2011 by €54 million, as a net flow of minus €977 million of floating rate loans (1.6 per cent) was only partially offset by a rise of €923 million in fixed rate loans (8.5 per cent). Floating rate mortgages accounted for 83.9 per cent of the outstanding amount of loans for house purchase at end-March (32 per cent standard variable, 50.2 per cent trackers, 1.6 per cent up to 1 year fixed).
- The outstanding amount of on-balance sheet loans for buy-to-let residential properties was €24.6 billion at end-March, accounting for 24.9 per cent of all loans for house purchase. There was a decline of €559 million in these loans during Q1 2011 (2.2 per cent). Floating rate mortgages accounted for 92 per cent of the outstanding amount of loans for buy-to-let residential properties at end-March (28.1 per cent standard variable, 63.7 per cent trackers, 0.2 per cent up to 1 year fixed).

Credit Advanced to Private Households – Other lending

- Non-housing related lending, or ‘other personal’ lending, accounted for 17.3 per cent (€20.7 billion) of total on-balance sheet credit advanced to Irish private households by resident credit institutions at end-March 2011.
- Lending in this category fell by 5.8 per cent in the year ending March 2011. This followed annual declines of 6.5 per cent at end-December 2010 and 15.6 per cent at end-September 2010.
- Other personal lending declined by €998 million during Q1 2011 (4.4 per cent). Underlying this, finance for investment purposes was €77 million lower (2.7 per cent) and finance for consumption and other purposes was €921 million lower (4.7 per cent).

Deposits From Private Households

- The deposits held in resident credit institutions by Irish private households stood at €87.5 billion at end-March 2011. This followed a decline of €1.7 billion (1.9 per cent) during Q1 2011 and almost €2 billion (2.1 per cent) during Q4 2010.
- The outstanding amount of personal deposits was 6.2 per cent lower on annual basis at end-March 2011, compared with annual rates of decline

of 0.5 per cent and 5.2 per cent at end-March and end-December 2010, respectively

- The net flow of personal deposits in the year ending March 2011 was minus 5.8 billion.

[1] The impact of the exit of Bank of Scotland (Ireland) from the market at end-2010 is adjusted for in the flows and growth rates presented in Personal Credit and Deposits.

[2] Loans with interest rates fixed for a period up to 1 year are included with floating rate loans in line with international practice.

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

Trends in Business Credit and Deposits: Q1 2011

28 June 2011

This is the first release of a new quarterly statistical series detailing developments in the credit advanced to, and deposits received from, Irish private-sector enterprises by credit institutions resident in the Republic of Ireland, disaggregated by sector of economic activity. Developments in lending to Irish small and medium-sized enterprises (SMEs) are also covered.

Credit Advanced to All Irish Resident Private-Sector Enterprises

- The total amount of credit outstanding to Irish private-sector enterprises on the balance sheet of resident credit institutions was €208.2 billion at end-March 2011. Just over half of this amount was with respect to the financial intermediation sector, which would include holdings of debt securities issued by NAMA[1]. Excluding financial intermediation, the total amount of private-sector enterprise credit outstanding was €100.3 billion.
- The annual rate of change in non-financial private-sector enterprise credit was minus 3.9 per cent at end-March, equivalent to a net flow of minus €4.5 billion over the year. Credit advanced to the construction sector accounted for just under half of this decline over the year and was itself 46.3 per cent lower on an annual basis. Meanwhile the underlying rate of change in real estate and development credit (which adjusts for the impact of transfers to NAMA) was minus 1.1 per cent.
- Excluding property-related and financial sectors, credit advanced to Irish private-sector enterprises stood at €41.7 billion at end-march 2011, a decline of 3.8 per cent on an annual basis. Credit advanced to the wholesale/retail trade sector had the largest share in the outstanding amount of credit to non-property and non-financial enterprises at 22.8 per cent, followed by the hotels and restaurants sector at 19.5 per cent. Credit to these sectors were 3.3 per cent and 3 per cent lower on an annual basis, respectively at end-March 2011.
- Other prominent sectors in terms of credit outstanding were manufacturing and business and administrative services. Credit advanced to these sectors was 7.2 per cent lower and 4.3 per cent higher on an annual basis, respectively at end-march 2011. Both sectors witnessed quarterly declines during Q1 2011, which came to €83 million for manufacturing and €382 million for business and administrative services.
- Credit advanced to the agriculture sector, which accounted for 10.7 per cent of all non-property, non-financial credit to enterprises at end-March 2011, was 8.8 per cent higher on an annual basis, mostly due to increases experienced during mid-2010.

Loans Advanced to SMEs

- The outstanding amount of loans advanced to Irish SMEs by resident credit institutions was €58.2 billion at end-March 2011. This included lending to certain financial vehicle corporations in the financial intermediation sector, as their balance sheet size brings them into the SME category. Excluding the financial intermediation sector, loans outstanding to SMEs totalled €46.2 billion at end-March, a decline of €864 million during the quarter (1.8 per cent) and €6.9 billion over the year ending March 2011 (12.2 per cent).[2]
- There was €19.6 billion of loans outstanding to SMEs in the property-related sectors of construction and real estate and development at end-March. Lending to SMEs in these sectors fell by a combined 15.5 per cent in the year ending March 2011, equivalent to a net flow of minus €3.6 billion (i.e. repayments exceeded draw-downs[3] by €3.6 billion) with a quarterly fall of 3.1 per cent alone during Q1 2011, or €815 million.
- Loans to non-property, non-financial SMEs accounted for 63.9 per cent of total credit to non-property, non-financial private-sector enterprises at end-March 2011. Lending to these SMEs fell by 9.7 per cent in the year ending March (€3.3 billion), with a quarterly decline of 0.2 per cent during Q1 (€49 million).
- Gross new lending (i.e. draw-downs of new facilities, excluding restructuring or renegotiations of existing facilities) [4] to SME counterparties totalled €1.7 billion during Q1 2011, compared with €1 billion in Q4 and €552 million in Q3 2010. New lending to non-property, non-financial SMEs totalled €563 million during Q1. New SME lending in these sectors during Q1 was concentrated in the agriculture sector (€141 million), the wholesale/retail trade sector (€113 million), business and administrative services (€69 million) and manufacturing (€54 million).

Deposits From Irish Resident Private-Sector Enterprises

- The quarterly net flow of deposits from Irish private-sector enterprises during Q1 2011 was minus 1.5 billion (1.9 per cent). This followed a fall of €5.5 billion during Q4 2010 (6.5 per cent). The annual decline in deposits from Irish private-sector enterprises was 11.8 per cent at end-March (equivalent of €10.5 billion).
- The financial intermediation sector (excluding monetary financial institutions) accounted for the vast majority of this decline in deposits, with deposits from this sector being €7.6 billion lower over the year ending March 2011 (16.4 per cent).
- Excluding financial intermediation, there was an annual decline of private-sector enterprise deposits of €2.9 billion, or 6.8 per cent at end-

March 2011. Non-financial sector deposits rose by €552 million during Q1 2011 (1.4 per cent).

[1] These debt securities are issued by a special purpose vehicle (SPV) established by NAMA to achieve its purposes. The SPV, in which NAMA has a forty-nine per cent shareholding, is a private-sector entity.

[2] The impact of the exit of Bank of Scotland (Ireland) from the market at end-2010 is adjusted for in the flows and growth rates presented in Business Credit and Deposits.

[3] Draw-downs include any funds accessed by the customer during the quarter that was not part of the outstanding amount of credit advanced at the end of the previous quarter.

[4] New sanctions or agreements relating to restructuring may be higher than the amounts of new facilities drawn-down by customers in a given period. Gross new lending would include, however, funds drawn-down following a restructuring or renegotiation of an existing facility that were not included in credit advanced at the end of the previous quarter. The Credit Review Office has reported that loan sanctions to SMEs, including restructuring of existing business was €8 billion in the year ending March for the credit institutions under its remit (Allied Irish Banks and Bank of Ireland).

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

Central Bank Publishes May 2011 Money and Banking Statistics

30 June 2011

The Central Bank has today published Money and Banking Statistics to the end of May 2011.

The related data tables are available in the statistics area of the Central Bank website.

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

Central Bank Publishes Updated Banking Supervision Strategy

30 June 2011

-Banking Supervision Priorities for 2011 Detailed-

The Central Bank today published an update to the Banking Supervision Strategy published in 2010. The paper updates on progress made on the actions established last year and details the main areas of focus for the coming period.

Director of Credit Institutions Supervision, Jonathan McMahon, said: 'Over the last year we have continued to make major changes to how we supervise banks and credit unions. There have been extensive changes in the prudential regime for banks, notably in the areas of capital, funding and governance. We have enhanced our supervisory capability, with additional staff recruited at all levels, and training for all supervisors increased. We have also progressed longer term reforms to the infrastructure which supports the banking system, notably in the area of credit exposure information.

In the coming period we will work with banks to enhance the integrity of their financial statements. In particular we will require banks to align provisions with the underlying realities of loan portfolios as revealed during the PCAR; we will set out the disclosures banks will be required to make; and we will verify the assumptions used to capital risk weighted assets.'

The Central Bank will also conduct themed inspections in 2011 on the role and effectiveness of board risk committees and, following a review last year, the remuneration and evaluation of senior staff.

A summary of the key actions outlined in the paper is detailed in the Appendix.

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