Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

Press Releases

July – December 2011

Central Bank of Ireland – Press Releases July-December 2011

Notice of Confirmation and Registration of EBS Acquisition Scheme - Building Societies Act, 1989

1 July, 2011

Pursuant to its powers under Section 104 (4) and 104 (5) of the Building Societies Act, 1989 (the Act), the Central Bank of Ireland has today, 1 July 2011, confirmed and registered an Acquisition Conversion Scheme submitted by EBS Building Society. The effect of the Scheme was to convert EBS Building Society into a private company limited by shares owned by the Minister for Finance, to be named EBS Limited, and all of whose shares were then acquired by Allied Irish Banks plc from the Minister for Finance immediately following conversion.

This Notice is published pursuant to Section 104(6) of the Act.

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

Statement on Transfer of Irish Nationwide Building Society Functions to Anglo Irish Bank

1 July 2011

The Central Bank of Ireland notes the decision by the High Court to approve the transfer of the functions of Irish Nationwide Building Society to Anglo Irish Bank. As a result of this transfer mortgage accounts are being transferred to Anglo Irish Bank.

Anglo Irish Bank has confirmed that the existing terms and conditions of mortgages and accounts transferring from Irish Nationwide to Anglo Irish Bank remain the same and will be unaffected by the transfer.

No action is required by customers as a result of this transfer.

Anglo Irish Bank will communicate with customers throughout the process. Any questions regarding individual accounts should be directed to through normal customer contact channels:

- Irish Nationwide +353 (1) 609 6000
- Anglo Irish Bank +353 (1) 616 2000

Anglo Irish Bank continues to operate as a credit institution 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.

Central Bank Monitors Lenders Compliance with the Revised Code of Conduct on Mortgage Arrears

1 July 2011

Inspection Examines Mortgage Arrears Charges Imposed by Lenders

The Central Bank of Ireland ('Central Bank') today published the findings of a themed inspection of mortgage lenders which examined compliance with the requirement of the revised Code of Conduct on Mortgage Arrears ('CCMA') specifically relating to charges on mortgage accounts in arrears, and the related Letter of Direction ('Direction').

The Central Bank found that the six mortgage lenders inspected had taken specific steps to be in compliance with the requirement. Two of the mortgage lenders were in full compliance. While four mortgage lenders were not in full compliance, the failings occurred for various reasons, including one-off system errors, inadequate monitoring processes and lack of adherence to the procedures in place.

The issues found as a result of the inspection impacted almost 3,100 mortgage arrears accounts that were overcharged by nearly €70,000. All of these accounts have been refunded and the systems errors have been corrected. As a result of this inspection, the Central Bank is currently extending its list of prohibited charges to provide further protection to mortgage customers in arrears.

The inspection identified that:

- The mortgage account charges prohibited in the Direction were not applied in the majority of accounts reviewed (484 of 655 accounts reviewed).
- Some charges which were not included in the initial Direction were identified during the inspections by the Central Bank and will now be included in the Direction as charges which can no longer be imposed on mortgage accounts in arrears, for example 'Duplicate Statement' charges.
- Some third party charges, such as 'debt counsellor call out' charges were applied to some mortgage accounts. Clearing bank charges which arise, for example, when a direct debit bounces, were also identified[1]. The Central Bank has asked mortgage lenders to consider the future application of such charges.

Director of Consumer Protection, Bernard Sheridan, said: "The Central Bank is committed to ensuring that mortgage lenders implement and fully adhere to the CCMA. This inspection demonstrates that while the mortgage lenders inspected had taken steps to be in compliance with the charging requirement of the CCMA further effort was required by some of these lenders to achieve full compliance. While the refunded amounts may be small, they are significant to those mortgage customers who are in an arrears situation and for whom every cent counts. Lenders are reminded that compliance with the CCMA is a supervisory priority which may lead to enforcement action as stated in our Enforcement Strategy issued last year."

The compliance issues identified during this inspection have been the subject of separate engagement with the mortgage lenders concerned and the Central Bank is satisfied that the issues identified are being addressed. Correct procedures should also be in place to identify those customers that hold Residential Investment Properties ('RIPs') that fall within the scope of the CCMA. In addition, all mortgage lenders have been requested to carry out a review to ensure they are fully compliant with the Direction and the requirement of the CCMA specifically relating to charges on mortgage accounts in arrears.

Consumers who are in arrears can be confident that the Central Bank is monitoring firms to ensure they adhere to the strict requirements of the CCMA. Consumers in mortgage arrears, or who feel they may be at risk of falling into arrears, are urged to contact their lender as soon as possible to discuss their situation.

Separately, lenders have also been reminded that they are obliged to ensure that their dealings with pre-arrears and arrears customers should be carried out in a timely and responsive manner.

[1] Third party fees which are passed onto borrowers unencumbered, with no added costs by the lender, fall outside the remit of Section 149 of the Consumer Credit Act, 1995.

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

Statistics on Securities Issues of Irish Financial and Non-Financial Firms May 2011

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

- At end-May 2011, the outstanding amount of debt securities issued by Irish financial and non-financial firms, and the Government was €1.04 trillion, comprising €778 billion in Euro denominated securities and €261 billion in non-Euro denominated securities. Debt issuance was largely flat during May across most sectors of the economy, and across different maturity profiles of debt securities. Long-term Government bonds remained outstanding at €89.7 billion at end-May.
- Developments for market-based debt financing for the banking sector comprised net redemptions of €1.3 billion across short and long-term debt securities during May.
- Following three months of significant contractions in the debt refinancing activity of the other financial intermediary sector, there were net issuances of €1 billion worth of long-term debt securities during May. Long-term debt securities amounted to €765 billion at end-May for this sector. 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 €2.2 billion, respectively, at end-May 2011.
- Equity securities, excluding investment fund shares/units, had an outstanding amount of nearly €182 billion at end-May, 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 Announces Appointment of New Deputy Governor

13 July 2011

The Central Bank of Ireland today announced the appointment of Stefan Gerlach as Deputy Governor. Mr Gerlach, currently Professor of Monetary Economics and Managing Director of the Institute for Monetary and Financial Stability at the University of Frankfurt, will take up his new position on 1 September 2011.

He is one of two deputy governors in the Central Bank and will be responsible for central banking functions. Matthew Elderfield is Deputy Governor with responsibility for financial regulation. Mr Gerlach succeeds Tony Grimes who is retiring, having served most recently as Director General, and then Deputy Governor, since 2007.

Announcing the appointment today, Central Bank Governor, Patrick Honohan, said: 'I am delighted to welcome Stefan Gerlach to the Central Bank of Ireland. He brings exceptional skills to the role. His experience across the monetary and economic spectrum and the qualities he has developed over his career are perfectly suited to the new role he is taking on, at what remains a very challenging time'.

Mr Gerlach, who was born in Sweden, has been Professor of Monetary Economics at the University of Frankfurt since 2007. Prior to that he worked with the Bank of International Settlements in Basel, most recently as Head of Secretariat of the Committee on the Global Financial System. He has also served as Chief Economist at the Hong Kong Monetary Authority.

Governor Honohan thanked Tony Grimes who is retiring. 'The Central Bank has benefited enormously from his input over the years, no more so than in recent times.'

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

2011 EU-Wide Bank Stress Test Results for Irish Banks Published

15 July 2011

The Central Bank of Ireland today published the results of the European Banking Authority (EBA) stress tests on Allied Irish Bank (AIB), Bank of Ireland and Irish Life and Permanent (IL&P).

The results of the tests show that the Irish banks meet the stress requirements and do not require additional capital beyond the requirement set in the Financial Measures Programme published in March 2011. The results of the EBA stress tests take account of the recapitalisation measures announced following the Prudential Capital Assessment Review (PCAR), which required the banks to raise an additional €24 billion to in order to achieve a core tier 1 ratio of 6% at the end of 2013 in a stressed scenario.

The EU wide stress test, carried out across 91 banks, covering over 65% of the EU banking system total assets, seeks to assess the resilience of European banks to severe shocks and their specific solvency to hypothetical stress event under certain restrictive conditions.

The stress test was carried out based on EBA common methodology and key common assumptions. The assumptions and methodology were established to assess banks' capital adequacy against a 5% Core Tier 1 capital benchmark. The adverse stress test scenario was set by the ECB and covered a two year time horizon (2011-2012). The stress test has been carried out using a static balance sheet assumption as at December 2010, but took into account the impact of mitigating measures to strengthen the capital base at 2012 as a result of committed equity raisings and mandatory restructuring plans, announced and fully committed by 30 April 2011.

The EBA methodology includes a number of differences to the methodology applied in the recent PCAR exercise. The PCAR was tailored specifically to the Irish banks' need to reduce their reliance on external funding over the coming three years, while the EU-wide tests the resilience of the largest European banks against a set of more widely applicable adverse circumstances. The EBA stress test set a 5% Core Tier 1 capital requirement in the stress scenario, while a level of 6% was applied in PCAR. The PCAR was applied on a three year horizon from 2011-2013 compared to the two year 2011-2012 timeline applied by the EBA. There were also significant differences in the application of future changes in the balance sheet; application of funding constraints and; treatment of sovereign and bank credit losses. Loan losses independently forecast by BlackRock Solutions as part of the PCAR were also applied to Irish banks participating in the EU-wide stress test.

2011 EU-Wide Stress Test Results by Institution

Institution	Pre 2011 Recapitalisation Stressed Case Core Tier 1 at Dec-2012	Post 2011 Recapitalisation Stressed Case Core Tier 1 at Dec-2012
Bank of Ireland	4%	7.1%
AIB	-4.5%	10.0%
IL&P	-4.4%	20.0%

The results for EBS, which was not included in the EBA exercise, but was included in the Central Bank's analysis, shows that the entity passes the test on a standalone basis with a comfortable margin.

The results are being published against the backdrop of an unusual level of market uncertainty, manifested notably in heightened sovereign risk premia for certain euro area countries, including Ireland. The results published today need to be seen in this context.

Detailed results for AIB, Bank of Ireland and IL&P are outlined in the accompanying documents.

The table below compares and outlines the main differences between the EBA stress tests and the PCAR exercise.

Main differences between 2011 PCAR and EU-wide stress tests

Element	2011 PCAR	2011 EU-wide
Time horizon	3 years (to Dec-2013)	2 years (to Dec-2012)
Recapitalisation Threshold	6% Core Tier 1	5% Core Tier 1
Balance sheet growth	Contraction in line with deleveraging plans	Contraction in line with deleveraging plans; this was an exemption from the "zero balance sheet growth" rule applied to other participating banks.
Funding mix	Required to achieve a 122.5% loan-to-deposit ratio in Dec-2013 by reducing reliance on external sources of	No changes allowed from Dec-2010 funding mix of deposits, unsecured, collateralised, term debt, etc.

Element	2011 PCAR	2011 EU-wide
	funding (ECB, unsecured money market, etc.).	
Cost of Funding	ECB base rate increase of 1% by end 2013 Standard funding costs applied to all banks.	ECB base rate increase of 0.75% by end 2012. Funding costs varied according to prescribed bank credit spreads.
Impact of Deleveraging	Losses due to asset disposals up to Dec-2013 included.	Losses due to asset disposals up to Dec-2012 included.
Conservatism buffer	Additional recapitalisation buffer of circa 20% applied to overall capital shortfall identified.	No buffer applied.
Credit losses attributable to retail & commercial exposures	Losses independently forecast by BlackRock Solutions	Losses independently forecast by BlackRock Solutions; this is a deviation from the methodology applied to other participating banks.
Credit losses attributable to sovereign & bank exposures	Haircuts applied to exposures in the trading book. No credit default losses applied to exposures in the banking book.	Haircuts applied to exposures in the trading book and credit default losses applied to exposures in the banking book.

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

Appointment of Inspectors to Custom House Capital Limited

Update

The Central Bank has published an update for consumers on the Custom House Capital Limited investigation.

15 July 2011

Following an application by the Central Bank of Ireland under the European Communities (Markets in Financial Instruments) Regulations 2007, the High Court, on 15 July 2011, appointed Inspectors to Custom House Capital Limited to conduct an investigation into the affairs of this firm. The Central Bank sought the appointment due to new information arising which led to significant concerns about the firm's operations.

The Central Bank has taken this action in order to evaluate the records of the firm relating to client assets and customer holdings and to assess the financial position of the firm.

The Central Bank has also placed restrictions on the firm preventing it from carrying out any transactions or making payments to any clients in order to protect the interests of all existing clients until the impact of these issues have been established.

The Inspectors will report back to the High Court on the results of their inspection.

Custom House Capital Limited clients with queries can contact the firm at 01-6325180.

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 Aviva Investors Ireland Limited

22 July 2011

The Central Bank of Ireland ("the Central Bank") has entered into a Settlement Agreement with effect from 20 July 2011 with Aviva Investors Ireland Limited ("the firm"), a regulated financial services provider, in relation to breaches of regulatory requirements contained in the Client Asset Requirements ("CAR").

Six breaches were identified. These breaches are:

- failure to properly designate the firm's internal record in respect of 184 client accounts;
- failure to properly designate 525 client accounts in such way as to make it clear that the client assets do not belong to the firm and are subject to the European Communities (Markets in Financial Instruments) Regulations 2007 ("the Regulations");
- failure to obtain required confirmations from seven credit institutions, prior to lodging client monies, that the funds are held by the firm as a trustee and will be dealt with in a prescribed manner;
- failure to obtain the required confirmations from two eligible custodians, prior to opening an account for client financial instruments;
- failure to carry out reconciliations in accordance with the CAR on 30 September 2009, thus omitting 4 accounts from the reconciliation; and
- failure to establish adequate policies and procedures sufficient to ensure compliance of the firm and persons who are the firm's managers, employees or tied agents with the firm's obligations under the Regulations in not including specific provisions, or failing to adhere to those provisions leading to the breaches identified.

The Central Bank reprimanded the firm and required it to pay a monetary penalty of €30,000.

These breaches were detected by the Central Bank during the course of an inspection in November 2009.

These breaches occurred because the firm's policies and procedures governing compliance with the CAR were inadequate and in some instances not adhered to.

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

The Central Bank issued a letter to industry on 12 May 2008 highlighting the importance of the correct designation of accounts stating that, "Firms should review both their internal and financial institution records to ensure that all client accounts are correctly designated in accordance with the CAR."

The penalties imposed in this case reflects the importance the Central Bank places on the CAR. The CAR is a key protection for customers of authorised investment firms. The proper designation of accounts is a key element of the

CAR. Failure to adhere to these important regulatory safeguards is viewed seriously by the Central Bank.

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

- all the breaches have been rectified, and
- the co-operation of the firm during the course of 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:

'This is the second settlement agreement we have concluded for breaches of the Central Bank's client asset requirements in the past nine months. Compliance with the requirements is highlighted as a priority area in our Enforcement Strategy and we will continue to focus resources to help achieve acceptable standards across industry. The client asset requirements are founded on key principles including, the safeguarding of clients' ownership rights, especially in the event of a firm's insolvency, and preventing a client's assets from being used in a manner contrary to the client's express consent. The requirements are a vital safeguard designed to protect a client's assets.

Failing to comply with important accounting and internal control safeguards, such as not properly designating accounts belonging to clients and failing to perform reconciliations, are not only enforceable matters but also erode the special trust customers place in regulated firms. This breach of trust is unacceptable to both customers and the Central Bank. Senior management are responsible for their firm's systems and controls. We inform firms again that systems and controls, policies and procedures, must be monitored and tested on a regular basis to ensure that they are effective to achieve the objective of the client asset requirements and their other regulatory obligations.

The Central Bank will continue to take enforcement action against regulated firms which fall short of the required standards.'

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

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

22 July 2011

The Decisions taken by the Governing Council of the ECB (In addition to decisions setting interest rates) for July 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 Publishes Irish Responses to the July 2011 Euro Area Bank Lending Survey

28 July 2011

The Central Bank of Ireland has published the Irish responses to the July 2011 Euro Area Bank Lending Survey.

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

Central Bank Announces New Fitness and Probity Regime

28 July 2011

The Central Bank of Ireland today announced forthcoming Regulations and Standards of Fitness and Probity, issued under Part 3 of the Central Bank Reform Act 2010.

The Regulations prescribe the positions from which individuals can be removed or prohibited and the senior positions which must be approved in advance by the Central Bank. The Standards set out the conditions that employees covered by the Regulations must satisfy to perform the function assigned to them.

The Regulations and Standards will be published on 1 September 2011. Following a decision of the Central Bank Commission, for existing and new staff in senior positions i.e. pre approval controlled functions, the Regulations and Standards will commence from 1 December 2011. For new appointments to less senior positions (controlled functions) the Regulations and Standards will apply from 1 March 2012, and will commence for all staff in existing controlled function roles from 1 December 2012. These extended periods are to allow institutions the time to introduce the necessary internal controls and procedures to comply with the Regulations.

Recognising that staff in different positions will require different levels of assessment, the Commission has agreed to the introduction of differing due diligence levels to be applied across the different categories of controlled functions. The scope of the controlled function which relates to customer facing activities will be narrowed.

The Central Bank is preparing guidance which will, among other things, indicate the due diligence that regulated financial service providers should carry out in relation to persons proposed for or holding pre-approved controlled functions or controlled functions.

The Central Bank will issue a feedback statement outlining its response to the key issues raised during the consultation process.

Central Bank of Ireland Publishes Quarterly Bulletin 3 2011

29 July 2011

The Central Bank of Ireland today published its Quarterly Bulletin 3 2011.

Comment

Against the background of what is, at the time of writing, still an unresolved euro area crisis of the public finances and of Sovereign debt markets, the gradual consolidation of the Irish public finances and the accelerated steps in recapitalisation and reorganisation of the banking system have not prevented a remarkable widening of spreads on Irish Government debt. The step by step return to a sustainable financial and fiscal situation (as confirmed by the EU Commission, ECB and IMF), is nevertheless building the foundations indispensable for future growth.

Taking a broad view, the period since the last Quarterly Bulletin has not been marked by any further significant overall weakening of the Irish macroeconomic indicators, while revised official data for 2010 indicates a somewhat better outturn for the main GDP and GNP aggregates than that originally suggested by the provisional data.

The prospect for a broad-based recovery continues to depend significantly on external conditions. There have been contrasting developments in the Irish economy's external environment over recent months. The recovery in global economic activity is continuing at a reasonably strong, if somewhat uneven, pace. There have been signs of some slowdown in the US recovery, growth in the euro area has also eased, although this was partly in line with expectations, and the Japanese economy has been affected by the recent earthquake and tsunami. These factors have led to some moderation in the growth in the advanced economies but this is expected to be temporary. The developing economies, on the other hand, continue to grow very strongly. As a result, any recent revisions to projections of global output growth and world trade volumes by international agencies have been modest. At the same time, tensions have increased in euro area financial markets, reflecting not only the high levels of indebtedness of some peripheral economies, including Ireland, but even more so, concerns about how these difficulties will be resolved by euro area governments and the likely consequences of different scenarios in this regard. Other risks still remain, including those related to overheating in developing economies, commodity price movements, re-emerging global imbalances and sovereign debt concerns more generally.

Given these external developments and, indeed, the extent of fiscal adjustment in the domestic economy, the likely outturn for growth in the Irish economy this year is subject to more uncertainty than usual. There seems to be no reason, however, at this point, to significantly alter the Bank's previous projections for the main economic aggregates. As a result, GDP is still expected to grow by about 0.8 per cent this year although GNP may decline slightly, perhaps by about 0.3 per cent. This is likely to be followed by somewhat stronger growth in 2012 when an expansion in GDP of about 2.1 per cent and in GNP of about 1 per cent is anticipated. The broad narrative behind these figures remains unchanged. Exports continue to grow while domestic demand remains weak, although the contraction in the latter is gradually easing. Reflecting the modest rate of output growth and the fact that it is driven by sectors that are not labour intensive, employment has yet to stabilise. It will be the end of this year or, more likely, next year before any employment growth starts to emerge. Unemployment may already have peaked but this largely reflects a pick-up in net outward migration, combined with lower participation. Inflationary pressures remain subdued but inflation has turned positive, as external price increases feed through to the domestic prices. The external current account has also swung into a modest surplus, slightly earlier than projected.

Significant progress has been made on the main challenges facing the economy. Fiscal developments up to the middle of the year have been broadly in line with expectations, as the impact of changes made in the last Budget begin to have their full effect. The Government has also confirmed its commitment to making the necessary adjustments in Budget 2012 to keep the overall fiscal correction on track. Ideally, the greater the level of detail that can be decided upon and announced in terms of the overall fiscal adjustment package, the better. This would help to remove uncertainty for domestic households and firms and contribute to confidence in the adjustment process overall. It could also help to limit the effects of higher precautionary savings by clarifying the impact of the overall fiscal adjustment package on households and firms, although the difficulties of identifying and agreeing the detailed adjustments cannot be underestimated. The Irish Fiscal Advisory Council, newly established by the Government, should help ensure that the planned fiscal path is sustainable.

There has also been considerable progress on the re-capitalisation and restructuring of the banking sector. Banks have been engaged in capital liability management exercises with a view to limiting the amount of public funds that will have to be committed to ensure that all institutions meet the capital requirements set out by the Bank following the 2011 Prudential Capital Adequacy Review results published at the end of March. They have also been engaging in a process of de-leveraging whereby they are progressively, although at a measured pace, divesting themselves of non-core assets over time, in order to bring down their loan-to-deposit ratios and reduce their dependence on central bank funding. This process will take some time and will be assessed at intervals under the EU/IMF Programme. Restructuring has also been proceeding with the incorporation of INBS into Anglo Irish Bank. The resulting entity is to be renamed the Irish Bank Resolution Corporation, whose primary role will be the recovery of the maximum value possible from the assets of Anglo Irish Bank and INBS over time for the taxpayer. EBS has also been merged with AIB to form one of the two ‘pillar banks’ of the system going forward along with Bank of Ireland.

On the competitiveness front, further gains have been made, reflecting the fact that wage levels are set to remain broadly unchanged over this year and next. This compares with a situation of ongoing wage increases in almost all of the country's trading partners. This, combined with a still favourable productivity performance, is allowing the country to recover more of the competitiveness lost over the previous years of the boom. As noted in previous Bulletins, however, further progress needs to be made. Two separate points are worth noting here. First, the technical point that the overall indicators of improvements in unit labour costs may be distorted by the sharp contraction of low-productivity sectors and the expansion of more high-productivity ones. This shift in activity is a positive one but it means that the competitiveness improvement within most individual sectors is less than that indicated by the overall measure. Second, there is still a need for further structural reform aimed at enhancing productivity growth, by introducing more competition into certain private services sectors and by reforming the public sector to increase its efficiency. These measures have the potential to boost growth in the economy over the medium-term and to increase its resilience to external shocks. They will also help, along with the other measures already outlined, to move the economy onto a path which will take it out of its currently over-indebted situation as rapidly as possible.

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

Central Bank of Ireland Publishes June 2011 Money and Banking Statistics

29 July 2011

The Central Bank of Ireland today published the June 2011 Money and Banking Statistics.

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.

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

5 August 2011

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

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

Consultation on Financial Difficulties Requirements of the Code of Conduct for Business Lending to Small and Medium Enterprises

8 August 2011

The Central Bank of Ireland today published Consultation Paper CP55 on the Financial Difficulties Requirements of the Code of Conduct for Business Lending to Small and Medium Enterprises.

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

Corporate Governance Code for Credit Institutions and Insurance Undertakings

Guidelines on the Annual Compliance Statement in accordance with Section 25

9 August 2011

The Central Bank of Ireland has today issued guidance to industry in the form of Guidelines on the Annual Compliance Statement which institutions are required to provide to the Central Bank under section 25 of the Corporate Governance Code for Credit Institutions and Insurance Undertakings. The Guidelines include minimum templates for completion as part of the Annual Compliance Statement and are in addition to the guidance contained in the Frequently Asked Questions on the Code which the Central Bank published on its website on 27 May 2011.

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

Statistics on Securities Issues of Irish Financial and Non-Financial Firms June 2011

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

At end-June 2011, the outstanding amount of debt securities issued by Irish financial and non-financial firms, and the Government was €1.03 trillion; this represented a month-on-month reduction of one per cent and a reduction of four per cent compared to the same period in 2010. This comprised €774 billion in Euro denominated securities and €257 billion in non-Euro denominated securities. There were significant redemptions of both short-term and long-term debt securities by the banking sector in June whilst debt issuance was generally flat across the non-banking financial sector, particularly across the non-financial corporates and insurance companies and pension funds.

- The outstanding value of long-term Government bonds issued remained at €89.7 billion at end-June.
- Developments for market-based debt financing for the banking sector comprised net redemptions of €5.8 billion across short and long-term debt securities during June. This represents a significant increase on the equivalent figure for the banking sector in May 2011 when net redemptions of €1.3 billion across short and long-term debt securities were recorded.
- After a return to net issuance in May, the debt refinancing activity of the other financial intermediary sector began to contract once again with net redemptions of €819 million worth of long-term debt securities during June. The outstanding amount of long-term debt securities remained at almost €765 billion at end-June for this sector. 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 €2.7 billion and €2.2 billion, respectively, at end-June 2011.
- Equity securities, excluding investment fund shares/units, had an outstanding amount of nearly €198 billion at end-June, mainly comprising equities quoted on stock exchanges; this represented a

month-on-month reduction of two per cent. Declining values of the banking sectors shares contributed to the reduced outstanding amount of equity securities in that sector.

- The total outstanding amount of equity securities at end-June represents an increase of 42 per cent compared to the same period in 2010. In terms of this latter figure, this increase was principally driven by the rise in the outstanding amount of equity securities of non-financial corporates (44 per cent) and the other financial intermediary sector (121 per cent). By contrast, the outstanding amount of equity securities of the banking sector fell by 17 per cent over the past 12 months.

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

Central Bank of Ireland Publishes Consultation on Auditor Protocol

10 August 2011

The Central Bank of Ireland today issued a public consultation, Consultation Paper 56, on an Auditor Protocol to be established between the Central Bank and the Auditors of Regulated Financial Service Providers. The aim of the Auditor Protocol is to provide a framework which will allow the Central Bank and the auditing profession to exchange relevant information on a timely basis with a view to enhancing both the regulatory and statutory audit processes.

The proposed framework will govern communication between the Central Bank and auditors, providing a structure for bilateral meetings (i.e. meetings between the Central Bank and auditors) and trilateral meetings (i.e. meetings between the Central Bank, auditors and the audit committee or Independent Non-Executive Director).

Interested parties are asked to comment on the proposals by 23 September 2011. All submissions will be published on www.centralbank.ie. Any queries in relation to this consultation paper should be directed to the Governance Accounting and Auditing Policy Division in the Policy and Risk Directorate at e-mail auditorprotocol@centralbank.ie. It is expected that the auditor protocol will be published later in 2011.

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

Central Bank Publishes New Corporate Governance Code for Captives

16 August 2011

The Central Bank of Ireland today published its Corporate Governance Code for Captive Insurance and Captive Reinsurance Undertakings which sets out minimum statutory requirements on how captives should organise the governance of their institutions including membership of the Board of Directors and the role and responsibilities of the Chairman and captive manager/CEO.

At the time the Corporate Governance Code for Credit Institutions and Insurance Undertakings was developed, the Central Bank committed to work with the captives industry to develop a proportionate corporate governance regime which would reflect the nature, scale and complexity of the business of captives.

The requirements will apply to all captives with effect from 1 September 2011 with a period of 9 months to 31 May 2012 to implement changes to systems and structures to ensure compliance.

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

Quarterly Financial Accounts for Ireland: Q1 2011

16 August 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 Q1 2011. An overview of some notable trends in households, Government and non-financial corporates is outlined below.

Household sector results show:

- Households' net financial wealth, which excludes housing assets, continued to increase in Q1 2011, rising to €105 billion or €22,903 per capita, over the period. This represented a 6 per cent increase on the previous quarter.
- Households' net financial wealth has been on an upward trajectory since Q1 2009, rising by 80 per cent over the period. This trend is influenced by two factors: appreciating financial asset values, as insurance technical reserves and quoted shares have recovered some of the value lost during the financial turmoil; and declining liabilities, as households borrowed less and repaid their existing loans.
- Households liabilities fell to €193 billion or €42,170 per capita during Q1 2011.This marked a decrease of €1.23 billion over the period. Overall household liabilities have fallen by 19 billion or 9 per cent from their peak in Q4 2008.
- Households continued to be net lenders during Q1 2011, albeit at a lower level than in previous quarters. Reduced net lending by households may indicate lower saving levels than in recent quarters.
- Lower net lending by households in Q1 reflects a reduction in investment in financial assets compared to previous quarters, particularly in deposits. Households continued however to further reduce their liabilities during Q1 and this trend was primarily responsible for the net lending position over the period.

Government sector results show:

- Government's liabilities resumed an upward trend once more during Q1 2011, rising by 4 per cent over the quarter to reach €156 billion.

- Despite the increase in liabilities during Q1 2011, net financial wealth increased slightly over the quarter, rising by 0.4 per cent. This increase reflected a further decrease in the market value of securities issued by the State over the quarter; as well as, an increase in financial assets as Government used capital received over the quarter from the IMF/EU programme to further increase their stock of deposits.
- During Q1 2011 the State received €17.6 billion in funding as part of the first instalment of capital from the IMF/EU programme. In Q1 the promissory note issued to the banking sector and IMF/EU capital accounted for 17 per cent and 11 per cent of total liabilities respectively.
- The deficit including capital injections improved considerably in Q1 2011, as there were no capital transfers to the banking system over the quarter. This was the first quarter since Q4 2009 in which there was no capital transfers recorded.
- The deficit excluding capital injections, based on a 4-quarter moving average, increased slightly over the quarter from €4.2 billion to €4.5 billion.

Non-Financial Corporate sector results show:

- The non-financial corporate balance has grown substantially since 2002. The results show that the stock of financial assets has fallen over the quarter for only the second time since 2005. Total financial assets now stand at €607 billion.
- Total liabilities have decreased by 2.4 per cent over the quarter, falling to €816 billion in the current quarter. The net financial wealth[2] of the non-financial corporate sector recorded a 5.9 per cent increase, to stand at minus €209 billion in Q1 2011.
- The increasing reliance on equity funding, as opposed to loans in the non-financial corporate sector continued in Q1 2011. There was a 2.8 per cent increase in funding from equity, and a corresponding 7.8 per cent decrease in funding from loans.
- Liabilities transactions have been negative for three consecutive quarters. This may indicate a process of deleveraging has begun in the sector.

[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.

Central Bank Review Identifies Concerns with Website Advertising by Regulated Firms

23 August 2011

The Central Bank of Ireland has today published the findings of a review of website advertising by mortgage intermediaries. The desk-based review of 486 firms looked at their compliance with the Consumer Protection Code which requires clear, fair and accurate information to be provided to consumers. In addition to the review, in the last year, we have investigated 85 advertisements and required changes or removal of these advertisements by firms in 80 per cent of all cases.

The review identified a number of concerns about electronic media advertising including regulatory disclosure issues, inadequate warning notices, misleading information and unfair comparisons.

Commenting on the findings, Director of Consumer Protection, Bernard Sheridan said: 'The Central Bank requires all advertisements, including web-based, to be fair, accurate and not misleading. We are writing to all mortgage intermediaries involved in this inspection, and the wider financial services industry, to ensure that the concerns identified and the Consumer Protection Code requirements are brought to the attention of all those involved in the preparation and approval of financial product and service advertisements. We have dealt directly with all firms found not to be complying with the Consumer Protection Code to ensure corrective action was taken. The Central Bank is currently reviewing the advertising requirements of the Consumer Protection Code and the findings of this review and our on-going monitoring of advertising will help inform this work.'

The key findings include:

Disclosure issues

It was noted that in some cases key information was not included in the main body of an advertisement. It was found that a number of firms were not providing the required regulatory disclosure statement. In addition, a number of firms were stating that they are regulated by the Central Bank of Ireland when they are providing unregulated products and services. In many cases, firms acting as intermediaries misrepresented the number of appointments they hold. In addition, many firms displayed the Central Bank of Ireland logo on their websites, despite this being prohibited.

Inadequate warning notices

In many instances, product risk warning notices were omitted or hidden in the small print of the advertisement, or on a separate page on the website rather than appearing alongside the benefits of the product on offer. The Consumer Protection Code requires that warnings are prominently displayed in bold type and within a box.

Misleading information

Contrary to the requirements of the Consumer Protection Code, some firms were found to be including misleading statements such as 'no proof of income needed' in mortgage product information. In addition, debt consolidation loan advertising requirements* were not being adhered to.

Unfair comparisons

In some cases, firms were not advertising the rates that applied to the terms being advertised for the products. For instance, some firms were only displaying the Annual Equivalent Rate (AER) alongside a six-month fixed term savings account. The Consumer Protection Code requires that when advertising savings or deposits, the relevant interest rate for the term quoted together with the AER should be included.

Latest Mortgage Arrears Data show 7.2% of Mortgage Accounts in Arrears

29 August 2011

Revised 18 November 2011

The Central Bank today publishes the latest data on mortgage arrears and repossessions for the period ended June 2011. The figures show that 7.2% of private residential mortgage accounts are in arrears for more than 90 days.

At the end of June 2011 there were 777,321 private residential mortgage accounts held in the Republic of Ireland to a value of €115 billion. Of these, 55,763 accounts, or 7.2%, were in arrears for more than 90 days. This compares with 49,609 accounts (6.3% of total) that were in arrears for more than 90 days at the end of March 2011.

The figures also show there was a total stock of 66,732 residential mortgage accounts that were categorised as restructured at the end of June 2011. This compares with a total stock of 62,936 restructured accounts at the end of March 2011. Of this total 36,855 are not in arrears and are performing as per the restructured arrangement. The balance of restructured accounts (29,877) have arrears of varying categories (arrears both less than and greater than 90 days). Therefore, 92,618[1] accounts are either in arrears greater than 90 days or have been restructured and are not in arrears as at the end of June 2011. Arrangements whereby at least the interest only portion of the mortgage is being met account for over half of all restructure types (52%)[2].

During the quarter ended June 2011, mortgage lenders applied to Court to commence proceedings to enforce the debt/security on a mortgage in 209 cases comprising arrears totalling €7.2 million built up on loans equating to €60.2 million. 201 court proceedings were concluded this quarter of which the Courts granted orders for possession/sale in 124 cases. The 77 cases where no orders for possession/sale were obtained included 36 which were settled by renegotiating the term and/or other conditions of the mortgage.

173 properties were taken into possession by lenders during the quarter, of which 54 were repossessed on foot of Court Orders and 119 following voluntary surrender or abandonment. These 173 repossessions compare with 140 repossessions that took place in the quarter ended March 2011. A total of 56 properties were disposed of during the second quarter of 2011. Mortgage lenders held 809 repossessed properties at the end of June 2011. There have been a total of 886 repossessions since this quarterly report commenced in September 2009.

Director of Consumer Protection, Bernard Sheridan, encouraged consumers struggling with mortgage repayments, or those who fear they will fall into difficulty, to make contact with 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: 'The earlier you make contact with your lender the more likely you are to come to a manageable solution. The figures at the end of June 2011 show that lenders have agreed arrangements with their customers on almost 67,000 accounts.'

The Central Bank has also published a Consumer Guide and Frequently Asked Questions for consumers.

[1] Sum of 55,763 plus 36,855

[2] Interest only (24,756) and Reduced Payment paying greater than Interest Only (9,988)

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

Statement - ARM Asset Backed Securities S.A.

30 August 2011

The Central Bank of Ireland acknowledges the decision of the Luxembourg financial services regulator, the Commission de Surveillance du Secteur Financier (the "CSSF") with regard to ARM Asset Backed Securities S.A. ("ARM S.A."). ARM S.A. has securities listed on the Regulated Market of the Irish Stock Exchange. These securities were suspended from trading by the Central Bank of Ireland in November 2010 and continue to be suspended while the regulatory process in Luxembourg is being completed. Due to the complex multi-jurisdictional nature of ARM's operations, the CSSF, the Financial Services Authority (FSA) and the Central Bank will continue to work together in close cooperation.

Central Bank Data on Investment Funds to June 2011

31 August 2011

The Central Bank today publishes statistics for Q2 2011 on investment funds[i] (IFs) resident in Ireland. The data show that the value of Irish resident investment funds' shares/units in issue increased by €15.5 billion in Q2 2011 to €623.4 billion. This reflected the continuation of a trend of substantial net transactions inflows into the Irish fund industry, amounting to €20.1 billion. Within this, new funds with shares/units in issue of €5.7 billion were launched during the quarter. These inflows were partly offset by negative revaluations of €4.8 billion, concentrated in equity funds.

For the euro area as a whole, the value of total investment funds' shares/units in issue declined by €5.6 billion in the second quarter, despite the positive contribution from the Irish funds industry. As a result, the share accounted for by Ireland increased to 10.8 per cent from 10.5 per cent over the quarter. Euro area investment funds received net inflows of €59.5 billion during Q2 2011 but this was more than offset by negative revaluations concentrated, as in Ireland, within the assets of equity funds.

The pace of growth in the Irish fund industry slowed significantly in the first half of 2011 but the underlying trend of strong growth remains largely intact. The quarterly average increase in the value of shares/units in issue declined to €9.0 billion in the first half of 2011 from €41.1 billion in 2010, as shown in Chart 1, but this has been almost entirely driven by revaluation effects. The average quarterly net increase in transactions also declined but more marginally, from €21.8 billion to €17.6 billion over the same periods. Significant volatility in financial markets and declines in some asset classes do not seem to have fundamentally altered the longer term trend of substantial growth in the Irish funds industry.

Irish resident investment funds are mainly owned by non-residents, with Irish residents holding just 7.3 per cent of total share/units in issue. Other euro area entities own an additional 31.6 per cent while the remaining 61.2 per cent are held by entities outside of the euro area. Similarly, when unclassified assets are excluded, assets under the management of Irish resident investment funds are concentrated outside of the euro area, at 75.7 per cent of the total, with Irish and other euro area assets accounting for 8.8 and 15.4 per cent respectively.

Investment Funds by Category

The performance of the various fund categories was quite mixed during Q2 2011, as shown in Chart 2, in the context of significant volatility in both equity and bond markets.

Bond funds received the largest net transactions inflow, resuming a trend of strong inflows evident throughout 2010 that had lessened somewhat in Q1 2011. Revaluations tended to be offsetting overall, amid safe haven flows into German, US and UK government bonds at the expense of perceived riskier assets including the bonds of euro area peripheral countries.

Equity funds were negatively revalued by €4.8 billion amidst considerable volatility and a continuing decline in global equity indices over most of Q2 2011. This compounded negative revaluations of €5.5 billion in the first quarter. Nevertheless, net transaction inflows remained significant, at €6.4 billion.

Hedge funds were little changed in Q2 2011, reflecting their relative ability to take advantage of declining asset prices. Ireland accounts for 52.3 per cent of euro area resident hedge funds, though the total shares/units in issue of these funds have been largely stable since the end of 2010, possibly reflecting some uncertainty over regulatory changes.

Remaining funds consist of mixed, real estate and other (unclassified) funds. Mixed funds, which invest in both bonds and equities, account for the bulk of these funds. The majority of transaction inflows to these funds were invested in the shares/units of other investment funds, including money market funds, during Q2 2011.

[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).

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

Central Bank of Ireland Publishes July 2011 Money and Banking Statistics

31 August 2011

The Central Bank of Ireland today published the July 2011 Money and Banking Statistics.

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 Enhanced Minimum Competency Code to Strengthen Consumer Protection

1 September 2011

The Central Bank of Ireland today published the revised Minimum Competency Code which enhances the minimum professional standards for all persons who provide consumers with financial advice and products or undertake certain specified functions[1]. The Code, which comes into effect from 1 December 2011, follows consultation with regulated entities, consumer and industry representative bodies and professional education bodies.

Under the existing requirements, regulated firms have to ensure that all persons providing financial advice and services on their behalf hold a recognised professional qualification or have gained experience through working in the industry for a specified period of time.[2] A programme of Continuing Professional Development (CPD) must also be undertaken on an ongoing basis. Under this enhanced Code, this responsibility is now placed on all persons carrying out relevant functions, as well as the firms, in line with the Central Bank's new Fitness and Probity requirements which are also published today and will come into effect on 1 December 2011.[3]

Other enhancements to the Minimum Competency Code include:

- An annual requirement of 15 formal hours of CPD for all persons, including grandfathered persons, to replace the existing 3 year CPD cycle requirements;
- Inclusion of an Ethics module in CPD programme;
- Detailed supervision requirements for all new entrants;
- Clarification on activities included within the scope of the requirements including restructuring and rescheduling of loans, amendments to insurance policies and services provided over the internet; and
- Restructuring of the categories of retail financial products.

The consultation included the proposed phasing out of 'grandfathering'2 and the requirement for all grandfathered persons to obtain a relevant, recognised qualification by 2015. Following consideration of the responses and other advice received, the Central Bank has decided not to phase out the existing grandfathering arrangements but will require regulated firms to complete and hold a standard Statement of Grandfathered Status on file which sets out the activities in respect of which each person has been grandfathered.

Director of Consumer Protection, Bernard Sheridan, said: 'All consumers need to have confidence that they are receiving the best possible financial advice and services at all times. We are committed to strengthening consumer protection by requiring minimum professional competencies and standards of all persons providing consumer advice and services. This enhanced Code now places an onus on both the firms and persons to comply fully with their supervision and professional development requirements.

The professional education bodies have restructured the two main existing recognised qualifications so that there will now be specific qualifications in areas such as personal general insurance, life assurance, and savings and investment. This restructuring will increase accessibility to a wider range of professional development opportunities for all persons and particularly for those who are grandfathered and providing financial advice and services in specific areas. As evidenced by recent research undertaken by the NCA, consumers value both qualifications and experience when choosing a financial adviser and, in this context, I would encourage all grandfathered persons to consider undertaking one of the new qualifications'.

[1] Specified functions include assisting consumers in dealing with claims, reinsurance mediation, managing or supervising accredited persons and adjudicating on complaints.

[2] When the Minimum Competency Requirements were introduced in 2007, they included grandfathering provisions for those individuals who were carrying out certain activities on 1 January 2007 and had four years' experience carrying out those activities in the eight-year period from 1 January 1999 to 1 January 2007.

An Addendum to the Requirements was issued in 2008 which set out grandfathering provisions for those carrying out activities related to retail credit and home reversion agreements on 1 June 2008 with four years' experience in the eight-year period from 1 June 2000 to 1 June 2008.

[3] On 1 September 2011, the Central Bank will publish on its website Regulations (prescribing who will be covered by the new Fitness and Probity regime), statutory Standards of Fitness and Probity (setting out the relevant standards which will apply to those covered in the regime) and Guidance on the new regime.

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

Central Bank Announces New Fitness and Probity Regime

1 September 2011

The Central Bank of Ireland today published its Regulations and Standards of Fitness and Probity under Part 3 of the Central Bank Reform Act 2010.

The Act gave the Central Bank wide ranging powers across the financial services industry to:

- approve or veto the appointment of people to certain positions;
- investigate and where appropriate remove or prohibit certain position holders; and
- set statutory standards of fitness and probity across the financial services industry.

The Regulations published today confirm that the new regime will apply to two main groups of staff "Pre-Approval Controlled Functions" or PCFs and "Controlled Functions" or CFs. The Regulations identify 42 senior positions as PCFs which require the Central Bank's approval before people can take up those positions. The Regulations also prescribe specific categories of staff as CFs, which are positions from which individuals can be temporarily or permanently removed or indeed prohibited from taking up in the future. The Central Bank has narrowed the scope of controlled functions relating to customer facing activities by specifying categories of staff who interact with customers, which is in turn aligned with those activities currently covered by the Minimum Competency Code.

The Standards set out conditions that staff must satisfy to perform the function assigned to them. These include the obligation to be competent and capable to carry out the controlled function, to act honestly, ethically and with integrity and to be financially sound.

The Act also makes employers responsible for ensuring that staff meet the Standards, both on entry to the financial services industry and throughout their careers. In doing so, employers are now required to carry out due diligence to ensure the standards are met.

The new regime will be introduced on a phased basis to allow institutions adequate time to introduce the necessary internal controls and procedures to comply with the Regulations and Standards.

From 1 December 2011 existing and new staff in PCFs will be subject to the Regulations and Standards. Firms are required to notify the Central Bank of each individual in the organisation in a PCF by 31 December 2011.

From 1 March 2012 new appointments to less senior positions (CFs) will be subject to the Regulations and Standards. From 1 December 2012 the Regulations and Standards will apply to all staff in existing CFs.

The Central Bank has also today published Draft Guidance for industry which, among other things, indicates the type of due diligence that regulated financial service providers should carry out in relation to persons proposed for or holding PCFs or CFs. Interested parties have until 30 September 2011 to respond to the Draft guidance.

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

Statistics on Securities Issues of Irish Financial and Non-Financial Firms July 2011

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

- At end-July 2011, the outstanding amount of debt securities issued by Irish financial and non-financial firms, and the Government remained steady at €1.03 trillion; this represented a reduction of two per cent compared to the same period in 2010. This comprised €769 billion in Euro denominated securities and €263 billion in non-Euro denominated securities. There were ongoing redemptions of both short-term and long-term debt securities by the banking sector in July albeit that the pace of redemptions has slowed markedly when compared with June.
- The outstanding value of long-term Government bonds issued remained at close to €89.8 billion at end-July.
- Developments for market-based debt financing for the banking sector comprised net redemptions of €1.6 billion across short and long-term debt securities during July. This represents a significant decrease on the equivalent figure for the banking sector in June 2011 when net redemptions of €5.8 billion across short and long-term debt securities were recorded.
- Following net redemptions of long-term debt securities of €819 million during June, the other financial intermediary sector recorded a net issuance of long-term debt securities of approximately €2.8 billion in July which was primarily driven by treasury and corporate finance firms. The outstanding amount of long-term debt securities increased to just over €767 billion at end-July for this sector. 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 underlying composition of the outstanding amount of long-term debt securities continued to change gradually in July with an ongoing move towards fixed-rate securities reflecting the interest-sensitive nature of these securities. For instance, fixed-rate securities accounted for 32 per cent of all long-term debt securities in July compared to 30

per cent in May and 31 per cent in June. Fixed-rate securities accounted for 28 per cent of all long-term debt securities in January 2011.

- The outstanding debt securities of non-financial corporates, and insurance companies and pension funds were €2.8 billion and €2.2 billion, respectively, at end-July 2011.
- Equity securities, excluding investment fund shares/units, had an outstanding amount of just over €192 billion at end-July, mainly comprising equities quoted on stock exchanges; this represented a month-on-month net reduction of approximately €5 billion (or three per cent). This decline was primarily attributable to a €6.3 billion reduction in the outstanding amount of equity securities of non-financial corporates which reflected decreases in market valuation. This was partially offset by a €1.5 billion rise in the outstanding amount of equity securities of monetary financial institutions.
- The total outstanding amount of equity securities at end-July represents an increase of 36 per cent compared to the same period in 2010. In terms of this latter figure, this increase was principally driven by the rise in the outstanding amount of equity securities of non-financial corporates (42 per cent) and the other financial intermediary sector (12 per cent) since July 2010. By contrast, the outstanding amount of equity securities of the banking sector fell by 12 per cent over the past 12 months.

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 Goldman Sachs Bank (Europe) plc

12 September 2011

The Central Bank of Ireland ("the Central Bank") has entered into a Settlement Agreement with effect from 08 September 2011 with Goldman Sachs Bank (Europe) plc ("the firm"), a regulated financial service provider in relation to breaches of regulation 16(3) of the European Communities (Licensing and Supervision of Credit Institutions) Regulations 1992 ("the Regulations").

These breaches related to:

1. the firm failing, during the period 16 July 2008 to 17 December 2010, to comply with regulation 16(3)(b) of the Regulations in that the firm's processes failed to manage, monitor and report accurately its regulatory counterparty risk capital requirement; and

2. the firm failed, during the period 16 July 2008 to 17 December 2010, to comply with regulation 16(3)(c) of the Regulations in that the firm's internal control mechanism failed to identify that its regulatory counterparty risk capital requirement was incorrectly calculated.

The Central Bank reprimanded the firm and required it to pay a monetary penalty of €160,000.

On 13 December 2010 the firm disclosed errors in calculations of the firm's counterparty risk requirement to the Central Bank. This issue arose due to an error in the firm's in-house regulatory counterparty risk capital requirement calculation, in that it did not correctly distinguish between long term product ratings and long term issuer ratings nor the scenarios in which they should be separately applied. The firm's control mechanisms failed to identify that its regulatory counterparty risk capital requirement was incorrectly calculated. As a result of this error, the firm incorrectly calculated their regulatory capital requirements between 16 July 2008 and 17 December 2010. The error at issue did not result in any breach of the capital adequacy ratios and no counterparties were impacted.

In deciding the appropriate penalty to impose, the Central Bank has taken the following into account:

- the regulatory capital maintained by the firm between 16 July 2008 and 17 December 2010 was at all times in excess of its capital requirements;
- the firm notified the Central Bank and has taken appropriate remedial steps to rectify the breaches; 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.

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

'The existence of adequate systems and controls is a priority area identified in the Enforcement Directorate's Strategy Document 2011 — 2012.

The existence of proper systems and controls to ensure continuous and proper calculation of risk and regulatory capital requirements is essential to the maintenance of stable and properly financed financial service providers. The reliance on automated systems should therefore be tempered by adequate oversight to ensure that systems and controls are, and continue to be, comprehensive and proportionate.

Firms are reminded to monitor and test their internal control systems on a regular basis and should take great care to ensure that any changes to systems are properly and fully tested so that regulatory requirements are adhered to and all regulatory reports provided to the Central Bank are accurate.'

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

Domestic Irish Banks’ Consolidated Foreign Claims - June 2011

21 September 2011

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

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.

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

21 September 2011

Operational issues

Progress report on the Market Operations Platform

On 18 September 2009 the Governing Council approved the first progress report on the Market Operations Platform (MOP), a shared technical solution which aims, via a single platform, to achieve greater efficiency across the ESCB with respect to the cost, technical, operational and organisational aspects involved in the conduct of foreign exchange and portfolio management operations and other related operations.

Extension of foreign currency liquidity-providing operations

In agreement with the Federal Reserve System and other central banks, the Governing Council decided to continue conducting one-week US dollar operations until the end of January 2010. It also decided to discontinue the US dollar operations with a term of 84 days following the one held on 6 October 2009 which matures on 7 January 2010. Operations that were previously discontinued could be started again in the future if needed. The Governing Council also decided, in agreement with the Swiss National Bank, to continue conducting one-week Swiss franc liquidity-providing swap operations until the end of January 2010. Two press releases announcing these decisions were published on 24 September 2009 on the ECB’s website.

Payment systems and market infrastructure

TARGET2-Securities

On 22 October 2009 the Governing Council considered the status of the TARGET2-Securities Programme and approved the mandate of the Central Securities Depositories Coordination Group. Further information will be made available in due course on the ECB’s website.

Financial stability and supervision

Review of the Recommendations of the Governing Council of the European Central Bank on government guarantees for bank debt

On 8 October 2009, in line with Recommendation No 9 of the Recommendations of the Governing Council of the ECB on government guarantees for bank debt, which foresees a regular review of the parameters of the pricing system, including credit default swap spreads, to reflect changes in market conditions, the Governing Council decided not to amend these Recommendations. The Recommendations, as available on the ECB's website, thus remain valid until further notice.

Advice on legislation

ECB Opinion on the extension of Belgian financial stability measures

On 23 September 2009, at the request of the Nationale Bank van België/Banque Nationale de Belgique, the Governing Council adopted an Opinion on an extension of the State guarantee covering liabilities of credit institutions (CON/2009/73). The Opinion is available on the ECB's website.

ECB Opinion on the nomination procedure for the Governor of the Banque de France

On 24 September 2009, at the request of the French Ministry for Economic Affairs, Industry and Employment, the Governing Council adopted an Opinion on the nomination procedure for the Governor of the Banque de France (CON/2009/74). The Opinion is available on the ECB's website.

ECB Opinion on payment services in Slovakia

On 29 September 2009, at the request of the Slovak Ministry of Finance, the Governing Council adopted an Opinion on payment services (CON/2009/75). The Opinion is available on the ECB's website.

ECB Opinion on Community legislation related to the introduction of the euro

On 29 September 2009, at the request of the Council of the European Union, the Governing Council adopted an Opinion on the introduction of the euro (Codified version) (CON/2009/76). The Opinion was published in the Official Journal of the EU on 14 October 2009 and is also available on the ECB's website.

ECB Opinion on the public audit of Lietuvos bankas

On 29 September 2009, at the request of the Audit Committee of the Seimas (Parliament) of Lithuania, the Governing Council adopted an Opinion on the public audit of Lietuvos bankas (CON/2009/77). The Opinion is available on the ECB's website.

ECB Opinion on the issuance of special government bonds to credit institutions in Cyprus

On 1 October 2009, at the request of the Cypriot Ministry of Finance, the Governing Council adopted an Opinion on the issuance of special government bonds to credit institutions (CON/2009/78). The Opinion is available on the ECB's website.

ECB Opinion on the extension of Swedish financial stability measures

On 7 October 2009, at the request of the Swedish Ministry of Finance, the Governing Council adopted an Opinion on extending government guarantees to banks and other institutions (CON/2009/79). The Opinion is available on the ECB's website.

ECB Opinion on De Nederlandsche Bank's involvement in the monetary system in Bonaire, Sint Eustatius and Saba

On 9 October 2009, at the request of the Dutch Ministry of Finance, the Governing Council adopted an Opinion on involvement of De Nederlandsche Bank in the monetary system in Bonaire, Sint Eustatius and Saba (CON/2009/80). The Opinion is available on the ECB's website.

ECB Opinion on Community legislation on Alternative Investment Fund Managers

On 16 October 2009, at the request of the Council of the European Union, the Governing Council adopted an Opinion on a proposal for a Directive of the European Parliament and of the Council on Alternative Investment Fund Managers and amending Directives 2004/39/EC and 2009/…/ EC (CON/2009/81). The Opinion will be published shortly in the Official Journal of the EU and is available on the ECB's website.

Statistics

Eurostat's methodological decisions on government finance statistics

On 8 October 2009 the Governing Council, having regard to Eurostat's methodological decisions on government finance statistics in the EU, confirmed that comprehensive information is needed on government guarantees and on the related liabilities of newly created special-purpose entities classified outside the general government sector in order to assess the sustainability of government finances. It also affirmed the ESCB's support for basing such methodological decisions on the accounting rules laid down in the European System of Accounts 1995 (ESA 95), which is essential for the credibility of the statistical basis underlying the Stability and Growth Pact and which limits the scope for creative accounting.

Enhancement of the "Public Commitment on European Statistics by the ESCB"

On 15 October 2009 the Governing Council approved an amended version of the ESCB's public commitment with respect to the European statistics it compiles. In line with the amendment of Council Regulation (EC) No 2533/98, concerning the collection of statistical information by the ECB, which was adopted by the Council of the EU on 9 October 2009 following the ECB's Recommendation ECB/2008/9, the amended public commitment contains the definitions of the statistical principles governing the production of European statistics by the ESCB. The amended public commitment is available on the ECB's website.

Corporate governance

Eurosystem Procurement Coordination Office – 2009 updated procurement plan

On 15 October 2009 the Governing Council took note of the update of the 2009 procurement plan of the Eurosystem Procurement Coordination Office, which was approved by the Governing Council on 18 December 2008.

Chairmanship of the ECB Audit Committee

Mr Erkki Liikanen, member of the Governing Council of the ECB and Governor of Suomen Pankki – Finlands Bank, will assume the function of Chairman of the ECB Audit Committee for the next three years. Mr Liikanen succeeds Mr Hurley, former Governor of the Central Bank and Financial Services Authority of Ireland, who retired in September 2009.

Trends in Business Credit and Deposits: Q2 2011

22 September 2011

This is the second 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.

Summary

- Lending to non-financial, non-property related SMEs declined by €891 million over the quarter (3.3 per cent), and €3.2 billion over the year (9.9 per cent), bringing total lending to SMEs in these sectors at end-Q2 2011 to €26.6 billion. This follows an annual decline of 8.3 per cent in Q1 2011.
- Gross new lending to non-financial, non-property related SMEs amounted to €527 million during Q2 2011.
- Credit advanced to all non-financial non-property related enterprises declined by €841 million over the quarter (2 per cent), and €3.4 billion over the year (7.5 per cent), bringing total credit advanced to non-financial non-property related enterprises at end-Q2 to €40.4 billion. This follows annual declines of 5 per cent and 3.5 per cent in Q4 2010 and Q1 2011, respectively.
- Credit advanced to property-related enterprises engaged in construction and real estate activities was 2.2 per cent lower over the year ending Q2 2011, following a quarterly increase of €424 million. Meanwhile lending to SMEs in these sectors had fallen by 10.1 per cent in the year ending Q2 2011, although lending increased on a quarterly basis by €573 million.
- Deposits held by Irish resident private-sector enterprises in credit institutions in Ireland declined by €2.4 billion (3.2 per cent) during Q2 2011, most of which related to deposits from non-bank financial intermediaries. Non-financial enterprise deposits were €36.1 billion at end-Q2 2011, following a quarterly decline of €1.1 billion (3 per cent), bringing the annual rate of decline to 13.4 per cent.

Loans Advanced to SMEs

- The outstanding amount of loans advanced to Irish SMEs by resident credit institutions was €73.7 billion at end-Q2 2011. The outstanding amount of lending at end-Q2 is €14.7 billion higher than was recorded at end-Q1. This primarily reflects reclassifications of loans into the SME category in the property-related sectors of construction and real estate activities following a substantial review of bank lending to these sectors. This does not reflect an actual increase in lending, nor does it impact on the underlying flows of SME lending reported in the tables, but merely changes the classification between lending to SMEs and lending to larger enterprises.

- The total outstanding amount of SME loans includes 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 €61.3 billion at end-Q2 2011, an underlying decline of €318 million during the quarter (0.7 per cent) and €5.5 billion over the year ending June 2011 (9.9 per cent).
- There was €34.8 billion of loans outstanding to SMEs in the property-related sectors of construction and real estate activities at end-Q2 2011. Excluding the impact of the large reclassification during Q2 2011, lending to SMEs in these sectors fell by a combined 10.1 per cent in the year ending June 2011, a net flow of minus €2.3 billion (i.e. repayments exceeded drawdowns[3] by €2.3 billion).
- Loans to non-property, non-financial SMEs accounted for 65.7 per cent of total credit to non-property, non-financial private-sector enterprises at end-Q2 2011. Lending to these SMEs fell by 9.9 per cent in the year ending June (€3.2 billion), with a quarterly decline of 3.3 per cent during Q2 (€891 million). This follows a rise in lending to these SMEs during Q1 2011 of €354 million (1.3 per cent).
- Lending to SMEs declined in all but one non-financial, non-property related sector during Q2 2011. Some of the largest quarterly declines, both in value and in percentage terms were in lending to manufacturing SMEs (5.5 per cent) and business & administrative services SMEs (6.7 per cent). On an annual basis lending to SMEs in these sectors has declined by 10.6 per cent and 3.2 per cent, respectively. Other significant annual declines in SME lending can be seen in the wholesale/retail trade (10.8 per cent) and the hotels/restaurants (17.4 per cent) sectors.
- Gross new lending (i.e. drawdowns of new facilities, excluding restructuring or renegotiations of existing facilities)[4] to non-property, non-financial SMEs totalled €527 million during Q2 2011, compared with €565 million in Q1 2011 and €730 million in Q4 2010. New SME lending in these sectors during Q2 continued to be concentrated in the agriculture sector (€148 million), the wholesale/retail trade sector (€89 million) and the business and administrative services sector (€81 million). Gross new lending to SMEs in the non-property, non-financial sectors was €2.3 billion in the year ending June 2011, equivalent to 6.8 per cent of the June 2010 outstanding stock of lending to SMEs in these sectors.

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 rose to €212.3 billion at end-June 2011, compared with €208.1 billion at end-March. Just over half of this amount was with respect to the financial intermediation sector, which would include holdings of debt securities issued by NAMA5. Excluding financial intermediation, the total amount of private-sector enterprise credit outstanding was €99.3 billion at end-Q2 2011.
- The annual rate of change in non-financial private-sector enterprise credit was minus 4.4 per cent at end-June, equivalent to a net flow of minus €5.2 billion over the year. Credit advanced to the construction and real estate sectors accounted for €1.8 billion of this decline over the year. Credit to these sectors was 2.2 per cent lower on an annual basis by end-Q2 (adjusted for the impact of transfers to NAMA), despite positive flows during Q2 2011 of €424 million.
- Excluding property-related and financial sectors, credit advanced to Irish private-sector enterprises stood at €40.4 billion at end-Q2 2011, a decline of 7.5 per cent (€3.4 billion) 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 non-financial enterprises at 22.7 per cent, followed by the hotels and restaurants sector at 19.7 per cent. Credit to these sectors was 8.1 per cent and 5.3 per cent lower on an annual basis, respectively at end-Q2 2011.
- Credit advanced to the manufacturing sector was 9.8 per cent lower on an annual basis at end-Q2 2011, following a quarterly decline of €126 million during Q2. Credit to the manufacturing sector has been declining persistently on an annual basis since Q2 2009.
- Credit to enterprises in the business & administrative services sector declined by €61 million during Q2, following a fall of €362 million in the previous quarter. On an annual basis, however, credit advanced to this sector rose by 3.9 per cent in the year ending Q2 2011.
- Credit advanced to the agriculture sector, which accounted for 10.9 per cent of all non-property, non-financial credit to enterprises at end-Q2 2011, was 1.9 per cent lower on an annual basis, as increases experienced during mid-2010 began to be reversed in the first half of 2011.

Deposits from Irish Resident Private-Sector Enterprises

- The quarterly net flow of deposits from Irish private-sector enterprises during Q2 2011 was minus €2.4 billion (3.2 per cent). This followed a fall of €3.6 billion during Q1 2011 (4.5 per cent). The annual decline in deposits from Irish private-sector enterprises was 16.9 per cent at end-Q2 (€15 billion).

- The financial intermediation sector (excluding monetary financial institutions) accounted for almost the majority of this decline, with deposits from this sector being €9.4 billion (20 per cent) lower over the year ending Q2 2011.
- Excluding financial intermediation, there was an annual decline of private-sector enterprise deposits of 13.4 per cent (€5.6 billion) in the year ending June 2011. Non-financial sector deposits fell by €1.1 billion during Q2 2011 (3 per cent).

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

Trends in Personal Credit and Deposits: Q2 2011

23 September 2011

Summary

- The total credit advanced to Irish private households was €121.4 billion on the balance sheet of resident credit institutions at end-June 2011, following a quarterly decline of 1.1 per cent and an annual decline of 3.1 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-June 2011 was €156.1 billion.
- The total deposits held in resident credit institutions by Irish private households was €87 billion at end-June 2011, following a quarterly decline of 0.6 per cent and an annual decline of 5.7 per cent.

Credit Advanced to Private Households – Loans for house purchase

- The annual rate of change in loans for house purchase was minus 2.2 per cent at end-June 2011. There was a decline of 0.6 per cent on a quarterly basis in Q2 2011, the sixth quarterly decline in a row, bringing the outstanding amount of loans for house purchase on-balance sheet to €98.3 billion. This is a decline of 3.7 per cent since the peak of lending for house purchase in June 2009. The outstanding amount of securitised mortgages was €34.7 billion at end-June 2011.
- Floating rate mortgages, which include standard variable rate, tracker rate, and mortgages with a fixed rate up to one year3, accounted for 86 per cent of the outstanding amount of loans for house purchase on-balance sheet at end-June 2011. Tracker mortgages by themselves accounted for 54 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 declined during Q2 2011 to 14 per cent, reflecting a net decrease of €319 million in fixed rate mortgages during the quarter. Floating rate mortgages also declined by €284 million over the quarter. Mortgages over one and up to three year fixation accounted for half of fixed rate mortgages outstanding while mortgages over five years fixation accounted for just 11.5 per cent.
- Loans for principal dwellings accounted for 74 per cent of on-balance sheet loans for house purchase at end-June 2011. This share has remained unchanged from end-December 2010. The outstanding amount of loans for principal dwellings declined over Q2 2011 by €531

million, with declines recorded across all categories of floating rate and fixed rate mortgage loans. Floating rate mortgages accounted for 84 per cent of the outstanding amount of loans for principal dwellings at end-June (of which 38 per cent standard variable, 60 per cent tracker, 2 per cent up to one year fixed).

- The outstanding amount of on-balance sheet loans for buy-to-let residential properties was €24.5 billion at end-June, accounting for 25 per cent of loans for house purchase. There was a decline of €58 million in these loans during Q2 2011 (0.2 per cent). This was a result of increases of €83 million and €23 million in standard variable rate loans and loans with a rate fixed between one and three years, respectively, being more than offset by falls in lending in other interest rate categories. Floating rate mortgages accounted for 92 per cent of the outstanding amount of loans for buy-to-let residential properties at end-June (31 per cent standard variable, 68.8 per cent tracker, 0.2 per cent up to one year fixed).
- Loans for holiday homes/second homes accounted for 1.1 per cent of on-balance sheet loans for house purchase at end-June 2011. Floating rate mortgages accounted for 90 per cent of the outstanding amount of loans for holiday homes/second homes at end-June (52 per cent standard variable, 48 per cent tracker, 0.1 per cent up to one year fixed).

Credit Advanced to Private Households – Other lending

- Non-housing related lending, or 'other personal' lending, accounted for 19 per cent (€23 billion) of total on-balance sheet credit advanced to Irish private households by resident credit institutions at end-June 2011.
- Lending in this category fell by 6.3 per cent in the year ending June 2011. This followed annual declines of 7.9 per cent at end-March 2011 and 6.5 per cent at end-December 2010. This category has recorded annual declines since December 2008.
- Non-housing related lending to private households peaked in Q1 2008. By end-Q2 2011 it had declined by 23.8 per cent from that peak.
- Other personal lending declined by €735 million during Q2 2011 (3.1 per cent). Finance for consumption and other purposes accounted for this decline as finance for investment purposes remained relatively unchanged from Q1 2011.

Deposits from Private Households

- The deposits held in resident credit institutions by Irish private households stood at €87 billion at end-June 2011. This followed a decline of €525 million (0.6 per cent) during Q2 2011 and €1.6 billion (1.8 per cent) during Q1 2011.

- The outstanding amount of personal deposits was 5.7 per cent lower on annual basis at end-June 2011, compared with annual rates of decline of 6.1 per cent and 5.2 per cent at end-March 2011 and end-December 2010, respectively.
- The net flow of personal deposits in the year ending June 2011 was minus €5.3 billion.

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

Central Bank and MABS Publish Guide to Help Mortgage Holders Complete Standard Financial Statement

28 September 2011

The Central Bank of Ireland has today published a guide to help mortgage holders in or facing arrears to complete the Standard Financial Statement (SFS) used by mortgage lenders to gather financial information on a mortgage holder's financial circumstances. The guide, which sets out the information a borrower should consider when completing the SFS, has been developed with the Money Advice and Budgeting Service (MABS) and builds on guidance already in use by MABS in assisting mortgage holders in or facing mortgage arrears.

Under the Mortgage Arrears Resolution Process, which all lenders are required to have in place under the Code of Conduct on Mortgage Arrears, a lender is required to use the SFS when dealing with a borrower. The SFS includes important information which is required to assist mortgage holders and lenders when working together to address or prevent a mortgage arrears situation. It is important for borrowers to allow themselves sufficient time to complete the information in the SFS and gather any necessary documentation to accompany it. This guide will help consumers with the completion of the SFS, or to prepare for completing the SFS, with the assistance of their lender.

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

Central Bank of Ireland Publishes August 2011 Money and Banking Statistics

30 September 2011

The Central Bank of Ireland today published the August 2011 Money and Banking Statistics.

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 Quarterly Bulletin 4 2011

4 October 2011

The Central Bank of Ireland today published its fourth Quarterly Bulletin of 2011.

Comment

The external environment continues to be characterised by turbulent conditions on financial markets and signs of slower growth in many of the country's main trading partners. As a result, GDP growth may slow in the latter part of the year but the strong data for the first half point to a likely increase of about 1 per cent for the year as a whole, with GNP expected to decline by about 0.4 per cent. Next year, the expansion in GDP is projected to be 1.8 per cent, while GNP will likely grow by 0.7 per cent. The latter figures represent more modest rates of expansion than previously anticipated.

Expectations of somewhat slower growth might normally be expected to prompt a deterioration in perceptions of a country's financial position. Recent months have, however, seen a general reduction in yields on Irish Government bonds. While these are not directly relevant to the cost of borrowing, at present, given the country's access to funds under the EU-IMF Programme, they can be seen as a sign of increased confidence in the country's financial situation. This development probably reflected a number of factors. First, the economy continues to show increasing signs of stabilisation and the public finances remain on track relative to the overall planned fiscal adjustment. Second, there are indications that bank recapitalisation costs may not draw as much as previously expected on Exchequer funds, given private sector investment in Bank of Ireland and some successful sales of bank assets. Third, there was a significant reduction in financing costs under the EU-IMF Programme agreed at the summit of EU Heads of State and Government on 21st July 2011 and since clarified and expanded in an announcement from the EU Commission on 14th September.

These developments have to be put in context, however, as yields on Irish Government bonds, though they have fallen, remain at levels that are inconsistent with a return to market funding. Further very significant progress has to be made in convincing market participants of the country's creditworthiness in order for the State to return to independent access to sovereign funding markets. This and a broader underlying improvement in the economy's performance can only be achieved by continuing to resolutely address the main policy challenges.

As regards the banking sector, there is an ambitious programme of restructuring and deleveraging to be got through in order to put in place a banking system that will serve the needs of the domestic economy over the medium term.

While this process is underway, it is essential that the banking system provides adequate funds to creditworthy borrowers and works through the significant volume of lending that is, or will become, distressed over the coming years. While there are significant challenges involved for the management and staff of the financial institutions and government agencies involved, government policies also have a role to play in managing the situation. In this regard, an advisory group will report shortly to the Minister for Finance in relation to some of the issues concerning mortgage holders who are having difficulty making their repayments.

As regards the public finances, developments for the year to date indicate that the adjustment remains on track. The precise outturn for this year, along with the indications for growth at Budget time, will dictate the extent of the fiscal adjustment required to reach the deficit-to-GDP ratio target of 8.6 per cent. It is difficult to say at this stage whether this will be the €3.6 billion adjustment currently projected under the EU-IMF Programme, or whether a larger adjustment will be needed to achieve this target.

In addition to this minimum required adjustment, however, a separate question arises as to whether it would not make sense to aim to exceed the deficit ratio target by bringing forward some of the adjustments planned for future years. This would not represent an increase in the scale of the overall adjustment but rather an increase in its speed. A number of arguments can be made in favour of this proposition. First, there is a good case for building a buffer into next year's plans for the public finances. There is always uncertainty over the likely growth rate of the economy and, further, of the precise outturn for the public finances associated with any given growth path. Aiming to exceed the target will incorporate a degree of resilience into the public finances to cater for the possibility of negative shocks to the economy. Second, when considered on its own, the negative impact on growth from advancing some of the adjustments may, in itself, no longer be that significant. The likelihood is that precautionary savings in the economy are high partly because households are uncertain about the effects of the fiscal adjustment on their own financial position. The publication by the Government of details of the overall fiscal adjustment will be helpful in this regard. It is also possible that bringing forward some of these changes may have less impact on consumption than one might expect, precisely because households are already factoring them into their expectations when making savings and consumption decisions. This argument should not be taken too far, however, and it would not be advisable, for example, to frontload the adjustment in a dramatic manner. Third, there may be some decline in the overall burden of the adjustment if it is achieved more rapidly. Such an approach will lower interest costs because it will mechanically lower government debt more rapidly than would otherwise be the case but it may also reduce the interest rate that the country will have to pay when it does return to independent borrowing.

Reinforcing the improvements in the economy's competitiveness position is another key component to increasing its resilience to shocks and boosting its growth potential. There are some positive signs in this regard. Despite high-profile job losses in some sectors, which impact severely on those directly affected, the country seems to be continuing to attract significant inward direct investment. Some of the more indigenous sectors are also contributing to the improved export performance, not just agricultural and food sectors but also services exports, including tourism. The adjustments in competitiveness, however, though welcome, need to be further reinforced. One way of achieving this is through greater efficiency resulting from increased competition in a range of sectors, not just utilities but also private sectors services, as outlined in the reports of the Competition Authority and the OECD. It also means pressing ahead with planned public sector reforms to deliver the maximum possible level of public services from the reduced resources available for expenditure, thus adding to the overall efficiency and productivity of the economy. Many of the changes required involve difficult adjustments but they will not only increase the underlying resilience of the economy, but act as a powerful signal that the economy is capable of adapting to changed circumstances and, as a result, has the capacity to work itself out of its current challenging situation. An increase in such confidence, provided that it is solidly based on tangible progress, would, in itself, be beneficial to the recovery process.

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

Central Bank of Ireland Launches Generation €uro Students Award

6 October 2011

The Central Bank of Ireland has launched a competition for second level students aimed at promoting an understanding of monetary policy decision-making.

The Generation €uro Students Award is open to senior cycle students who are in either Transition Year or 5th Year and invites students to mimic the role of the Governing Council of the European Central Bank in determining the most appropriate interest rate for the euro area. The competition consists of three individual rounds including an online quiz, an assignment and a presentation by the finalists to a panel at the Central Bank of Ireland. The winning team will represent Ireland at a European Award Event which will take place at the European Central Bank in Frankfurt in June 2012. The initiative is supported in Ireland by the Business Studies Teachers' Association of Ireland.

Speaking at the launch, Governor of the Central Bank, Patrick Honohan said: 'January 1 2012 marks the tenth anniversary of the introduction of euro notes and coins. At a time when management of the euro has come centre stage, this competition should generate wide interest among second level students, who can start thinking in a focussed way about the work of the Eurosystem and what we do in the national central banks and at European Central Bank level in contributing to monetary policy decisions and financial stability for the euro area. We hope the competition will encourage understanding and stimulate further discussion in the classroom of the important functions performed by the Central Bank of Ireland, the ECB and the Eurosystem as a whole.'

President of the Business Studies Teachers' Association of Ireland, Mary O'Sullivan said: 'We are delighted to support the Generation €uro Students Award in its inaugural year. More than ever before, students are talking about the economy and the world of finance. I encourage all second-level schools to take part in the competition as it provides an excellent opportunity for students to learn and experience for themselves the wide variety of factors involved in monetary policy decision-making.'

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

Central Bank of Ireland Publishes Irish Responses to the October 2011 Euro Area Bank Lending Survey

7 October 2011

The Central Bank of Ireland has published the Irish responses to the October 2011 Euro Area Bank Lending Survey.

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

Central Bank of Ireland Issues €15 Silver Proof Collector Coin

10 October 2011

The Central Bank of Ireland today launched the second in a series of three annual €15 silver proof collector coins featuring iconic animals from Irish coinage. The coin, which features the design of a salmon alongside its smolt, is the work of coin designer Emmet Mullins and is a modern interpretation of the 1928 flóirín by renowned designer Percy Metcalfe.

Commenting on the coin, Governor of the Central Bank, Patrick Honohan said: 'The issue of this coin shows how highly we regard and value the timeless quality of the iconic 1928 designs by Percy Metcalfe.'

The coin follows the issue by the Central Bank of a €15 collector coin featuring the Irish hunter horse in 2010. The final coin in the series will feature the Irish wolfhound and will be issued in 2012.

The coin has an issue limit of 12,000 units and is available to the public from 10 October at a cost of €46 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 by downloading an order form from the website www.centralbank.ie or ordered directly from the Central Bank of Ireland by calling 1890 307 607 (lo-call within Ireland) or (+353 1) 219 8000. The coin may also be purchased directly from the Central Bank's premises in Dame Street.

Central Bank of Ireland Publishes a Discussion Paper on Requirements for the Management of Liquidity Risk

10 October 2011

The Central Bank of Ireland today published a discussion paper on a review of its requirements for the management of liquidity risk. The paper explores areas for possible change in the Central Bank's liquidity risk management requirements.

The revision of requirements is motivated by international regulatory initiatives, market developments and supervisory experience. The discussion paper raises a range of issues related to liquidity risk management and regulation which are under consideration within the Central Bank, the EU and internationally.

Prior to finalising its proposals, the Central Bank will issue a consultation paper informed by changes to EU regulations and replies to the discussion paper. The initiative is driven by the Central Bank's commitment to enhancing the regulatory framework in Ireland.

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

Statistics on Securities Issues of Irish Financial and Non-Financial Firms August 2011

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

- At end-August 2011, the outstanding amount of debt securities issued by Irish financial and non-financial firms, and the Government decreased slightly to €1.02 trillion; this represented a reduction of six per cent compared to the same period in 2010. This comprised €761 billion in Euro denominated securities and €259 billion in non-Euro denominated securities. There were ongoing redemptions of both short-term and long-term debt securities by the banking sector in August with the pace of redemptions increasing when compared with July.
- The outstanding value of long-term Government bonds issued remained at close to €89.9 billion at end-August.
- Developments for market-based debt financing for the banking sector comprised net redemptions of €2.4 billion across short and long-term debt securities during August. This represents a significant increase on the equivalent figure for the banking sector in July 2011 when net redemptions of €1.6 billion across short and long-term debt securities were recorded.
- Following net issuance of long-term debt securities of €2.8 billion during July, the other financial intermediary sector recorded net redemptions of long-term debt securities of approximately €11.5 billion in August. The outstanding amount of long-term debt securities fell to €756 billion at end-August for this sector. 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 underlying composition of the outstanding amount of long-term debt securities continued to change gradually in August with an ongoing move towards fixed-rate securities reflecting the interest-sensitive nature of these securities. Fixed-rate securities accounted for 32 per cent of all long-term debt securities in August compared to 28 per cent in January 2011.

- The outstanding debt securities of non-financial corporates, and insurance companies and pension funds remained steady at €2.8 billion and €2.2 billion, respectively, at end-August 2011.
- Equity securities, excluding investment fund shares/units, had an outstanding amount of just over €184.6 billion at end-August, mainly comprising equities quoted on stock exchanges; this represented a month-on-month net reduction of approximately €7.5 billion (or four per cent). This decline was primarily attributable to a €11 billion reduction in the outstanding amount of equity securities of non-financial corporates which reflected decreases in market valuation. This was partially offset by positive in-flows (€5.5 billion) in the MFI sector on foot of the ongoing recapitalisation of the banking system.
- The total outstanding amount of equity securities at end-August represents an increase of 30 per cent compared to the same period in 2010. In terms of this latter figure, this increase was principally driven by the rise in the outstanding amount of equity securities of non-financial corporates (33 per cent) and the other financial intermediary sector (11 per cent) since August 2010.

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

Inspection Finds Majority of Insurance Firms Settle Personal Injuries Claims In Compliance With Consumer Protection Code

13 October 2011

The Central Bank of Ireland today published the results of a themed inspection into the handling of third party personal injury claims by insurance firms. The purpose of the inspection was to examine whether insurance firms were compliant with the claims processing requirements of the Consumer Protection Code and to determine whether insurance firms were making an appropriate settlement offer.

The inspection examined 418 third party personal injury claim files, closed by eleven insurance firms during the period 1st April to 30th June 2010. The files inspected covered a range of personal injuries from less serious soft tissue injuries to injuries which resulted in individuals having their quality of life radically changed. The injuries arose from a wide range of accidents including traffic, workplace and public places related accidents.

The key findings from the inspection of the sampled files found that:

- Overall, third party personal injury claims are being handled appropriately by insurance firms and in compliance with the Consumer Protection Code. Insurance firms are required to take reasonable steps to verify the validity of a claim before making a decision on the outcome, communicate in writing the terms of any offer of settlement, and pay all claims within ten business days once certain conditions have been met.
- Insurance firms are settling claims across the range of amounts outlined in the InjuriesBoard.ie 'Book of Quantum' which the Central Bank used as a guide when assessing claims settled by the insurance firms.
- Some potential issues concerning compliance with the Consumer Protection Code were identified in two insurance firms and the Central Bank is following up with those concerned.
- Almost 4 in 10 of third party personal injury claims were settled by insurance firms without referral to the InjuriesBoard.ie, taking an average of 12 months from date of claim notification to the date of claim payment.
- It was noted that claimants who chose to refer their claim to the Injuries Board.ie and accepted the assessment award received a higher settlement offer than the insurance firms' last recorded offer. Claims which were settled following assessment by the InjuriesBoard.ie took on average 20 months from the date of notification to the insurer to the date of claim payment.
- Where claim assessment awards made by the InjuriesBoard.ie were rejected either by the insurer or the claimant it was noted that the ultimate claim settlement was higher than the Injuries Board assessment award. Claims which were settled following litigation took

between 12 and 60 months from the date of notification to the insurer to the date of claim payment.

Director of Consumer Protection, Bernard Sheridan, said: ‘The Central Bank expects insurance firms handling personal injuries claims to make a fair and reasonable offer to its claimants. Consumers who have suffered injury or loss can feel vulnerable and should take their time when assessing and agreeing a settlement.

We are committed to ensuring that this market works in the best interests of consumers and the Central Bank will be publishing the revised Consumer Protection Code later this month. The revised Code will provide additional protection for consumers by placing greater compliance requirements on firms.’

Central Bank Publishes Revised Consumer Protection Code

19 October 2011

– Protections for Consumers Significantly Strengthened-

The Central Bank of Ireland today published a revised Consumer Protection Code (2012 Code), which comes into effect from 1 January 2012 for regulated entities including banks, insurance and investment companies and intermediaries. The publication of the revised statutory Code represents the most significant strengthening of protections for consumers of financial institutions since the launch of the initial Code in August 2006.

Bernard Sheridan, Director of Consumer Protection, commented, "Consumer protection is a key priority for the Central Bank and the publication of the revised Code is the culmination of a significant review and consultation process to strengthen the existing consumer protection framework. A range of significant enhancements have been made to the Code in order to address areas of concern and to ensure that consumers are adequately protected in their dealings with financial entities. These enhancements include additional protections for vulnerable consumers and stricter rules to prevent borrowers in arrears from being harassed.

The Central Bank is committed to the on-going monitoring of regulated entities' compliance with the Code and we have increased our resources in this area. The Code comes into effect from 1 January 2012 for all regulated entities. However, we recognise that compliance with some of the new and enhanced requirements will require regulated entities to introduce systems and procedural changes and to ensure that all their staff are properly trained to understand and implement the Code. The Central Bank will be cognisant of this for the first six months of our monitoring of compliance with the 2012 Code."

The revised Code increases the protections for consumers in a number of key areas.

Arrears handling

- In the current economic climate, consumers need as much assistance as possible to help them to meet their financial commitments. New rules have been introduced setting out how regulated entities must deal with and treat consumers who are in arrears on a range of loans (including credit cards, personal loans and buy to let mortgages). The 2012 Code introduces protections for these loans similar to those for mortgage arrears which are already covered by the Code of Conduct on Mortgage Arrears.

Contact with consumers

- Pressurised selling of financial products to consumers is of particular concern, so unsolicited personal or "doorstep" visits are now banned.
- There are also stricter rules in place to regulate the circumstances in which personal visits can take place.
- In addition, in the case of arrears, the 2012 Code limits the number of unsolicited communications with a consumer in arrears to three in each calendar month.

Mis-selling of products

- More prescriptive requirements have been introduced in terms of the information that regulated entities must gather under the 'Knowing the Consumer' process, in order to assess whether a product or service is suitable for a particular consumer.
- In addition, the 2012 Code sets out that a regulated entity's remuneration arrangements with employees must not impair an employee's assessment of whether a particular product or service is suitable for a consumer and meets their needs and objectives.
- The 2012 Code also requires product producers to give detailed information to intermediaries in relation to the investment products they sell on behalf of the product producers. This should aid intermediaries in assessing whether a product is suitable for a consumer.

Vulnerable consumers

- Regulated entities must now consider whether there is any evidence of vulnerability on the part of the consumer, for example, a vision or hearing impairment or a lack of knowledge, experience or financial capability, and must provide those identified as vulnerable consumers with the necessary arrangements or assistance to facilitate their dealings with the regulated entity.

Mortgage lending

- In order to promote more responsible mortgage lending, the acceptance of self-certified declarations of income by regulated entities has been banned and there are stricter requirements in place for affordability testing.

Transparency

- More balanced information must be provided to consumers in advertisements. Where advertisements outline the benefits of a product or service, they must also outline the risks.
- In addition, key information on products and services must be made prominent in advertisements and must not be obscured.
- The 2012 Code also sets out key information that regulated entities must provide to consumers before, during and after the sales process, including information on charges, commission and remuneration arrangements as well as information about the product or service.

Errors and complaints resolution

- There are now limited timeframes for regulated entities to resolve errors affecting consumers. Detailed records of complaints from consumers and errors affecting consumers must also be maintained. Regular analysis of errors and complaints is required to ensure that regulated entities identify any potential patterns of consumer detriment.

The publication of the revised Code follows two public consultations in October 2010 and June 2011 seeking views on proposed new and amended Code requirements. 93 submissions were received from interested parties over the course of both consultations and a feedback document has been published with responses to a number of questions and issues raised in the submissions.

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

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

21 October 2011

Market operations

Details of refinancing operations from October 2011 to July 2012

On 6 October 2011 the Governing Council took several decisions relating to the Eurosystem's main and longer-term refinancing operations and the tender procedures employed for such operations. More detailed information can be found in a press release published on the ECB's website on that day.

Launch of a second covered bond purchase programme

On 6 October 2011 the Governing Council decided to launch a second covered bond purchase programme and announced some of its main features. Further details regarding its modalities will be announced in November 2011. A related press release is available on the ECB's website.

Payment systems and market infrastructure

Developments in the TARGET2-Securities (T2S) project

On 22 September 2011 the Governing Council appointed Mr Kristian Kjeldsen, Head of Payment Systems at Danmarks Nationalbank, as an alternate member of the T2S Programme Board. The T2S Programme Board was set up on 19 March 2009 to assist the ECB's decision-making bodies in ensuring the successful completion of the T2S project.

On 20 October 2011 the Governing Council decided that T2S would go live nine months later than planned – i.e. in June 2015, rather than September 2014. The Governing Council also decided to extend the deadline for the signing of the Framework Agreement. Further information will be provided on the ECB's website in due course.

Amendments to the TARGET2 Guideline

On 14 October 2011 the Governing Council adopted Guideline ECB/2011/15 amending Guideline ECB/2007/2 on a Trans-European Automated Real-time Gross settlement Express Transfer system (TARGET2). The Guideline, which inter alia takes into account the updates needed by the TARGET2 release 5.0, will apply as from 21 November 2011.

Advice on legislation

ECB Opinion on a draft Česká národní banka provision on minimum reserves

On 30 September 2011 the Governing Council adopted this Opinion at the request of Česká národní banka (CON/2011/75).

ECB Opinion on reform of the Dutch deposit guarantee scheme

On 4 October 2011 the Governing Council adopted this Opinion in response to a public consultation of the Dutch Ministry of Finance on reform of the Dutch deposit guarantee scheme (CON/2011/76).

ECB Opinion on sanctions related to the protection of the euro against counterfeiting in Slovenia

On 7 October 2011 the Governing Council adopted this Opinion at the request of the Slovenian Ministry of Finance (CON/2011/78).

ECB Opinion on a Belgian State guarantee covering certain loans granted to Dexia SA and Dexia Crédit Local SA

On 13 October 2011 the Governing Council adopted this Opinion at the request of the Belgian Ministry of Finance (CON/2011/79).

ECB Opinion on the financial statements register in Slovakia

On 14 October 2011 the Governing Council adopted this Opinion at the request of the Slovak Ministry of Finance (CON/2011/80).

ECB Opinion on changes of rules applicable to mortgage and municipal bonds in Slovenia

On 17 October 2011 the Governing Council adopted this Opinion at the request of the Slovenian Ministry of Finance (CON/2011/81).

ECB Opinion on a Luxembourg State guarantee covering certain loans granted to Dexia SA and Dexia Crédit Local SA

On 18 October 2011 the Governing Council adopted this Opinion at the request of the Banque centrale du Luxembourg (CON/2011/82).

ECB Opinion on early intervention measures and amendments to the resolution and winding-up regime for credit and financial institutions subject to supervision by the Banco de Portugal

On 19 October 2011 the Governing Council adopted this Opinion at the request of the Portuguese Ministry of Finance (CON/2011/83).

International and European cooperation

Extension of the Eurosystem's cooperation programme with the Central Bank of Egypt

On 13 October 2011 the Governing Council approved the extension of the Eurosystem's cooperation programme with the Central Bank of Egypt, which will now end on 31 March 2012. This programme aims to support the Central Bank of Egypt in its gradual adoption of the Basel II framework.

Corporate governance

Opinion of the Governing Council of the European Central Bank on a Council recommendation on the appointment of a member of the Executive Board of the European Central Bank

On 6 October 2011 the Governing Council adopted this Opinion at the request of the President of the European Council (CON/2011/77).

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

Statement – EBA Capital Exercise

26 October 2011

The Irish banks involved in the 2011 EU-wide stress test (Bank of Ireland, AIB and Irish Life & Permanent) have been included in the capital exercise, published today by the EBA. The results show that the Irish banks do not require any additional capital.

Irish banks have been recapitalised, following the Prudential Capital Assessment Review (PCAR) process in March 2011, and are required to maintain a minimum Core Tier 1 Ratio of 10.5% on an on-going basis.

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 McSharry & Foley (Sligo) Limited

26 October 2011

The Central Bank of Ireland (“the Central Bank”) has entered into a Settlement Agreement with effect from 24 October 2011 with McSharry & Foley (Sligo) Limited (“the firm”), a regulated financial services provider, in relation to breaches of regulatory requirements contained in the Consumer Protection Code (“the Code”) and the Handbook for Authorised Advisors (“the Handbook”).

Four breaches were identified relating to the sale of general insurance products to customers. These are:

- failure by the firm, during the period 1 August 2004 to 31 December 2008, to carry out detailed reconciliations of amounts due to regulated entities with the balances on each client premium account it operates in contravention of the provisions of the Handbook and Provision 29, Chapter 5 of the Code;
- the application by the firm, from 1 January 2008 to 31 October 2009, of its charges to rebate amounts due to customers without the prior written agreement of those customers in contravention of Provision 33, Chapter 5 of the Code;
- failure by the firm, from 1 August 2004 to 31 October 2009, to act with due skill, care, and diligence in the best interests of its customers in accordance with the requirements of the Code and the Handbook by applying fees to the policies of some customers which were in excess of the maximum fees advised on the firm’s Terms of Business document in the aggregate amount, over a five year period, of €32,578.91; and
- failure by the firm, from 1 August 2004 to 31 October 2009, to have and employ effectively the resources and procedures, systems and controls checks that are necessary for compliance with the requirements of the Code and the Handbook.

The Central Bank reprimanded the firm and required it to pay a monetary penalty of €10,000.

The Central Bank carried out an inspection of the firm in April 2009. In relation to those fees charged in excess of the maximum outlined in the firm’s Terms of Business (which excess fees represented approximately 1.6% of the firm’s fee income for the period), separate disclosure of these fees was made to customers in all invoices relating to new business and all renewal notices. All such fees in excess of the maximum outlined in the firm’s Terms of Business have been refunded to customers.

The taking of this administrative sanctions case reflects the importance the Central Bank places on the obligation of firms to comply with the General Principles of the Code and the requirement to have adequate systems and controls in place to ensure compliance with the requirements of the Code (and formerly the Handbook).

In deciding the appropriate penalty to impose, the Central Bank has taken the following into account:

- the firm acted promptly to rectify the issues once discovered, including appointing an independent third party auditor to identify the level and amount of overcharging involved and number of affected customers;
- the firm has made prompt refunds with appropriate interest to all affected customers;
- the co-operation of the firm during the investigation and in settling at an early stage in the administrative sanctions procedure; and
- the financial position of the firm.

The Central Bank confirms that the matter is now closed.

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

"This is the latest in a number of cases taken by the Central Bank for controls failures that result in customers paying fees in excess of those set out in the firm's terms of business. We have said previously, and we highlighted in our Enforcement Strategy, that issues relating to the overcharging of customers and the causes of overcharging are priority areas for the Central Bank.

The Central Bank's supervisory framework, of which the Enforcement Strategy is a key component, is squarely focused on the Central Bank being more assertive and prioritising the allocation of resources on a risk based approach. Retail intermediaries such as insurance brokers, although being "low impact" entities, can cause consumer detriment through overcharging, misselling and poor systems and controls.

Where serious breaches of regulatory requirements occur, regulated entities and their management can expect that we will investigate fully and vigorously follow through the facts to conclusion. In the case of lower impact firms, where we do not have a close supervisory relationship with them, our enforcement actions should be seen by other lower impact firms as clear signals of the types of behaviours we aim to change in a way that improves standards across the industry.

Firms should note that where our Consumer Protection Directorate identifies breaches of regulatory requirements it will work with our Enforcement Directorate to rectify those breaches and deliver a clear message to industry as to what is, and what is not, acceptable conduct. We will do this by ensuring that, irrespective of the size and impact rating of a regulated entity, the financial penalties and other enforcement tools available to us are applied robustly to those who fail to meet our standards, in a manner that reflects not only the seriousness of the issue at hand but also acts as a meaningful deterrent to others."

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

Information for Consumers affected by the recent floods

28 October 2011

Following the recent floods, consumers may be considering engaging the services of an independent loss assessor to assist in making a claim with their insurance company. Consumers are advised to ensure that the loss assessor is registered as an insurance intermediary by the Central Bank of Ireland ("the Bank"). The name of the firm can be checked on the Insurance Mediation Register or using the Register search option to enter the name of the firm.

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

Central Bank of Ireland Publishes September 2011 Money and Banking Statistics

28 October 2011

The Central Bank of Ireland today published the September 2011 Money and Banking Statistics.

Loans and other credit

- Loans to households were 4 per cent lower on a year-to-year basis at end-Sept 2011, unchanged from the rate of decline observed in the previous month. Lending for house purchase was 2.5 per cent lower on an annual basis in September, while lending for consumption and other purposes declined by 8.9 per cent over the year.
- Household lending declined during the month of September by €183 million, based on underlying transactions, following a net monthly flow of minus €443 million in August. Developments in September were driven by a decline of €83 million in loans for house purchase and a decline of €119 million in loans for consumption purposes. Lending for other purposes increased by €19 million.
- The monthly net flow of loans to households averaged minus €445 million in the three months ending September 2011, which consists of an average net flow of minus €220 million in loans for house purchase, minus €179 million in loans for consumption purposes, and minus €46 million in lending for other purposes.
- Lending to the non-financial corporate (NFC) sector declined by 1.4 per cent in the year ending September 2011, following an annual decline of 2.5 per cent in August.
- On a monthly basis, loans to NFCs increased by €594 million during September, following a decline of €436 million in August. The monthly net flow of loans to NFCs averaged €105 million in the three months ending September 2011, compared with an average of €22 million in the three month period to end-August.
- Underlying the aggregate developments in loans to NFCs during September, there was a decrease of €20 million in loans with an original maturity of over five years. Short-term loans with an original maturity of up to one year, which includes overdraft facilities increased during the month, by €548 million, following a decline of €353 million in August 2011. Medium-term loans with an original maturity of over one year and up to five years also increased, by €66 million, during the month of September.
- On an annual basis, the pace of contraction in longer-term NFC loans eased further. In the year ending September 2011, loans with an original maturity of over five years fell by 2.6 per cent. NFC lending

between one and five years original maturity declined on an annual basis by 5.5 per cent in September. Short-term loans to NFCs with an original maturity of up to one year continued to grow on an annual basis, increasing by 5.5 per cent in September, compared to 2.3 per cent in the year ending August.

- Credit institutions' holdings of debt and equity securities issued by the Irish private sector declined by €1,921 million in September 2011, largely reflecting inter-affiliate movements. On an annual basis growth in these holdings remained strong, at 18.2 per cent. The annual growth in holdings of private-sector securities is largely related to holdings of debt securities issued by other financial intermediaries (OFIs), which includes special-purpose vehicles such as NAMA. The pace of growth has eased in recent months as the process of transferring loans to NAMA in return for bonds has ended. Credit institutions' holdings of OFI debt securities increased by 19.7 per cent on an annual basis in September 2011.

Deposits and other funding

- The annual rate of decline in Irish resident private-sector deposits was 10.5 per cent at end-September 2011, compared to 10.4 per cent at end-August. Deposits from households were 4.7 per cent lower on an annual basis in September, having declined by 5.4 per cent in the year ending August 2011. NFC deposits declined at an annual rate of 8.2 per cent in September, while deposits from ICPFs and OFIs fell by 22.9 per cent.
- There was an underlying decline of €2.7 billion in Irish resident private-sector deposits during September. This was dominated by developments in the OFI sector, where deposits fell by €2.4 billion during the month. This was largely driven by inter-affiliate transactions, and is the counterpart to the decline in holdings of securities issued by the Irish resident private sector. Deposits from Irish resident households increased by €485 million during September – the largest net monthly increase since December 2010. However this was offset by a decline in deposits from NFCs, which fell by €420 million during the month of September, while deposits from ICPFs fell by €322 million.
- The aggregate developments in private-sector deposits were once again mostly reflected in overnight deposits, which declined by €1.9 billion during September. The OFI sector accounted for the majority of this decline, with a net outflow of €1.7 billion in overnight deposits during the month. Overnight deposits from the NFC and ICPF sectors also fell, by €281 million and €73 million, respectively, while overnight deposits from the household sector increased by €120 million.
- Private-sector term deposits with agreed maturity up to two years declined by €648 million during September. This was reflected across the OFI, ICPF and NFC sectors, with net outflows of €775 million, €283 million and €89 million, respectively. These were partly offset by an

increase of €499 million in household deposits with agreed maturity up to two years.

- Private-sector deposits from other euro area residents declined by 6.1 per cent over the year ending September 2011, whereas those from non-euro area private-sector residents were 22.4 per cent lower. There was an underlying net monthly increase in private-sector deposits from other euro area residents during September, of €1.4 billion. This was driven almost entirely by deposits from the OFI sector and reflects inter-affiliate transactions. There was a net monthly decline of €1.5 billion in private-sector deposits from non-euro area residents.
- Credit institutions' borrowings from the Central Bank as part of Eurosystem monetary policy operations increased by €5.5 billion in September 2011. IFSC banks accounted for 88% of the increase during the month. The outstanding stock of borrowings from the Eurosystem by Irish resident credit institutions amounted to €100.4 billion at end-September 2011. Domestic market credit institutions accounted for €71.1 billion of this total outstanding stock, following an increase of €650 million in their recourse to Eurosystem refinancing operations during September.
- A number of credit institutions have issued debt under the Eligible Liabilities Guarantee scheme and have retained the bonds concerned for their own use. For methodological reasons these are not included in the Money and Banking Statistics tables. At end-September 2011, the outstanding amount of these bonds was €17.6 billion.

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

Central Bank Introduces Revised Requirements for Lenders Dealing with SMEs in Financial Difficulties

4 November 2011

The Central Bank of Ireland today published a revised statutory Code of Conduct for Business Lending to Small and Medium Enterprises (SME Code) setting out new requirements for lenders when dealing with SMEs in, or facing, financial difficulties. The SME Code revisions build on the Central Bank's ongoing programme of work for protecting the interests of borrowers in or facing arrears.

Commenting on the revised Code, Director of Consumer Protection, Bernard Sheridan said: 'The revised requirements introduce a clear framework for lenders to deal with SMEs in or facing financial difficulties. The framework has been designed to assist SMEs and lenders to work together to address existing or emerging arrears situations and financial difficulties'.

Under the changes, lenders will be required to meet a number of revised provisions when working with SMEs to address financial difficulties including the provision of information relating to:

- The lender's procedures for dealing with SMEs in financial difficulties, including timeframes involved;
- The importance of an SME engaging with their lender to address their financial difficulties;
- Details of fees or charges that may apply to the SME as a result of financial difficulties and information on methods to mitigate such fees or charges;
- Details of the type of information the lender may require from the SME when assessing their case; and
- Information on the SME's right to appeal a lender's decision on a lending arrangement.

Additional new provisions introduced in the Code require that:

1. Lenders must confirm to the SME the information that must be provided by them for an alternative repayment arrangement assessment to be undertaken.
2. A lender must complete its SME alternative repayment assessment and inform the SME of its decision within 15 business days of receiving all information required from the SME.
3. A lender must have procedures in place to allow an SME to appeal their decision on an alternative repayment arrangement.
4. Where an SME is concerned about meeting repayments and approaches the lender, a lender must offer the SME an immediate review meeting

to discuss their circumstances and assess the potential for the SME to be offered an alternative repayment arrangement.

The introduction of the new provisions in the SME Code follows a review of the financial difficulties requirements in the existing SME Code as part of the Central Bank's commitments under the EU/IMF Work Programme. The revised SME Code will come into effect from 1 January 2012.

A full review of the SME Code will be undertaken in 2012, which will provide key stakeholders, including SMEs and their representatives, with an opportunity to further engage in the operation and effectiveness of the SME Code, including these new requirements relating to the treatment of financial difficulties cases.

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 First Standard Management Limited (Ireland, Switzerland and Hong Kong)

9 November 2011

The Central Bank of Ireland today published a warning notice on First Standard Management Limited (Ireland, Switzerland and Hong Kong) The firm is not authorised as an investment firm in Ireland and has been claiming or holding itself out to be an investment firm in the State. The notice is published today in Irish daily newspapers under the European Communities (Markets in Financial Instruments) Regulations 2007.

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

Any person wishing to contact the Central Bank of Ireland with information regarding such firms may telephone (01) 224 4000. This line is also available to the public to check if an investment firm is authorised. Since obtaining the necessary legal powers in August 1998, 87 warnings naming 161 firms have been issued.

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

Statistics on Securities Issues of Irish Financial and Non-Financial Firms September 2011

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

- At end-September 2011, the outstanding amount of debt securities issued by Irish financial and non-financial firms, and the Government remained at close to €1.02 trillion; this represented a reduction of just over two per cent compared to the same period in 2010. This comprised €752 billion in Euro denominated securities and €269 billion in non-Euro denominated securities. There were ongoing redemptions of both short-term and long-term debt securities by the banking sector in September with the pace of redemptions easing when compared with August.
- The outstanding value of long-term Government bonds issued fell slightly to €89.7 billion at end-September.
- Developments for market-based debt financing for the banking sector comprised net redemptions of €1.3 billion across short and long-term debt securities during September (with long-term debt securities accounting for almost 87 per cent of the total value of securities redeemed). This represents a significant decrease on the equivalent figure for the banking sector in August 2011 when net redemptions of €2.4 billion across short and long-term debt securities were recorded.
- Following net redemptions of long-term debt securities of €11.5 billion during August, the other financial intermediary sector recorded net issuance of long-term debt securities of approximately €3.5 billion in September. The outstanding amount of long-term debt securities rose to €759 billion at end-September for this sector. 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 underlying composition of the outstanding amount of long-term debt securities continued to change gradually in September with an ongoing move towards fixed-rate securities reflecting the interest-sensitive nature of these securities. Fixed-rate securities accounted for just over 32 per cent of all long-term debt securities in September compared to 28 per cent in January 2011.

- The outstanding debt securities of non-financial corporates, and insurance companies and pension funds remained steady at €3.0 billion and €2.3 billion, respectively, at end-September 2011.
- Equity securities, excluding investment fund shares/units, had an outstanding amount of just over €165 billion at end-September, mainly comprising equities quoted on stock exchanges; this represented a month-on-month net reduction of approximately €2.3 billion (or one per cent). This decline was primarily attributable to a €2.4 billion reduction in the outstanding amount of equity securities of non-financial corporates which reflected decreases in market valuation. This was partially offset by positive in-flows (€2.3 billion) in the OFI sector which saw the amount outstanding rise by €0.5 billion in September.
- The total outstanding amount of equity securities at end-September represents an increase of 12 per cent compared to the same period in 2010. In terms of this latter figure, this increase was principally driven by the rise in the outstanding amount of equity securities of the MFI sector (33 per cent), non-financial corporates (11 per cent) and the other financial intermediary sector (10 per cent) since September 2010.

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

Central Bank Publishes New Research on Mortgage Arrears and Negative Equity

18 November 2011

The Central Bank of Ireland today publishes new economic research on "The Distribution of Property Level Mortgage Arrears". The research analyses the position of mortgaged households in the areas of arrears and negative equity.

The analysis in the paper draws on loan-level data collected for the March 2011 Financial Measures Programme Report. This data records the arrears position of each of the loans in the four institutions'[i] books as at end-2010. The equity position of each household is updated to September 2011, using the CSO house price index. The research uses data on over 600,000 loans, totalling €87 billion of outstanding debt, €67 billion of which is owner-occupier and €20 billion of which is buy-to-let.

The key findings of the research, which analyses over 600,000 loans and €87 billion of outstanding mortgage debt, are as follows:

- As at end-2010, 56% of mortgages in arrears over 90-days were in the four institutions covered by the Financial Measures Program.
- The remaining 44% was split between other mortgage lenders (35%) and sub-prime lenders (9%). Sub-prime lenders account for less than 2% of all lending.
- Around one-in-four owner-occupier borrowers have more than one loan secured against their property.
- Two-thirds of owner-occupier mortgaged households have an outstanding debt of less than €200,000. Another 30% have debts of between €200,000 and €500,000. The remainder, less than 4%, have an outstanding debt over €500,000.
- Using the CSO's September 2011 house prices index, it is estimated that 34% of owner-occupier households with mortgages in these institutions are in negative equity. The bulk of these took out loans between 2005 and 2008, with 51% of these borrowers are in negative equity.
- Despite the widespread negative equity amongst borrowers, particularly for those who purchased properties between 2005 and 2008 (one-third of loans), the vast majority of negative equity borrowers, over 90%, were not in arrears at the end of 2010.
- The average negative equity of borrower without arrears is €67,768; by contrast borrowers who are also in arrears have a higher negative equity average of €83,911.
- Of those borrowers in arrears over 90-days, it is estimated that around 38% have at least 20% equity in their homes, that is, a loan-to-value ratio of less than or equal to 80%.
- Of those households in arrears over 90-days arrears, some 40% have been in this position for a year or more. The average amount of arrears

on these loans is €27,000. The average outstanding balance on these loans is just over €200,000.

- 22%, or €20 billion out of €87 billion, of the total loan book analysed relates to buy-to-let property debt. 51% of buy-to-let properties are in negative equity, with an average outstanding balance for this group of €320,000. The average negative equity is just over €100,000.Within the four institutions covered by the Financial Measures Program, 33% of buy-to-let borrowers also have an owner-occupier mortgage with the same lender.

[i] (AIB, BoI, EBS and IL&P)

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

Latest Quarterly Mortgage Arrears Data Show 8.1% of Mortgage Accounts in Arrears over 90 days, Up From 7.2% at the End of June

18 November 2011

The Central Bank today publishes the latest data on mortgage arrears, restructures and repossessions for the period ended September 2011. The figures show that 8.1% of private residential mortgage accounts are in arrears for more than 90 days.

Director of Consumer Protection, Bernard Sheridan, emphasised the importance of consumers struggling with mortgage repayments, or those who fear they will fall into difficulty, to make contact with their lender as early as possible. He said: 'The earlier you make contact with your lender the more likely you are to come to a manageable solution'. The Central Bank's revised Code of Conduct on Mortgage Arrears provides many protections to consumers in or facing mortgage arrears. By engaging with their lender, consumers can benefit from those protections.

At the end of September 2011, there are 773,420 private residential mortgage accounts held in the Republic of Ireland to a value of €114.4 billion. The stock of accounts continues to decline, from the 794,609 that were held at the end of September 2009. Of the current stock of accounts, 62,970, or 8.1%, are in arrears for more than 90 days. This compares with 55,763 accounts (7.2% of total) that were in arrears for more than 90 days at the end of June 2011.

Restructuring Arrangements

The figures also show there was a total stock of 69,735 residential mortgage accounts that were categorised as restructured at the end of September 2011. This compares with a total stock of 66,732[1] restructured accounts at the end of June 2011. Of this total 36,376 are not in arrears and are performing as per the restructured arrangement. The balance of restructured accounts (33,359) have arrears of varying categories (arrears both less than and greater than 90 days). Therefore, 99,346[2] accounts are either in arrears greater than 90 days or have been restructured and are not in arrears as at the end of September 2011. Arrangements whereby at least the interest only portion of the mortgage is being met account for half of all restructure types (50%)[3].

Repossessions

During the quarter ended September 2011, mortgage lenders applied to Court to commence proceedings to enforce the debt/security on a mortgage in 89 cases comprising arrears totalling €5.3 million built up on loans equating to €27.2 million. 125 court proceedings were concluded this quarter of which the Courts granted orders for possession/sale in 76 cases.

162 properties were taken into possession by lenders during the quarter, of which 43 were repossessed on foot of Court Orders and 119 following voluntary surrender or abandonment. These 162 repossessions compare with 173 repossessions that took place in the quarter ended June 2011. A total of 87 properties were disposed of during the third quarter of 2011; a 55% increase from the 56 disposals in Quarter Two 2011. Mortgage lenders held 884 properties at the end of September 2011. There have been a total of 1,048 properties taken into possession in the two years since this quarterly report commenced.

The Central Bank have also published a Consumer Guide and Frequently Asked Questions for consumers.

[1] Quarter Two 2011 restructured data has been updated from the previous publication due to a resubmission of data from one lender

Quarter Two 2011 restructured data has been updated from the previous publication due to a resubmission of data from one lender
[2] Sum of 62,970 plus 36,376

[3] Interest only (24,845) and Reduced Payment paying greater than Interest Only (10,016)

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

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

18 November 2011

External communication

Tenth anniversary of the introduction of the euro banknotes and coins

On 21 October 2011 the Governing Council approved, as part of the activities related to the tenth anniversary of the introduction of the euro banknotes and coins in January 2002, a press kit which will be published shortly on the websites of the Eurosystem central banks. More information regarding the activities marking the tenth anniversary will be made available on the ECB’s website.

Market Operations

Second covered bond purchase programme

On 3 November 2011 the Governing Council decided on the technical modalities of its second covered bond purchase programme, which were announced via a press release published the same day on the ECB’s website.

Payment systems and market infrastructure

Standards for the use of central counterparties in Eurosystem foreign reserve management operations

On 9 November 2011 the Governing Council authorised the publication of the “Standards for the use of central counterparties in Eurosystem foreign reserve management operations”. These standards aim to ensure that the selection of providers of clearing services for Eurosystem foreign reserve management operations meets three objectives, namely that it ensures (i) the safe and efficient use of infrastructure by the Eurosystem; (ii) consistency with the Eurosystem’s broader objectives and statutory tasks in the field of clearing and settlement; and (iii) neutrality vis-à-vis the clearing industry. The standards will be published shortly on the ECB’s website.

TARGET2-Securities (T2S) programme

On 17 November 2011 the Governing Council endorsed the Framework Agreement, which will soon be conveyed to central securities depositories

(CSDs), together with a financial incentive package for early signatories. In addition, it approved a new version of the User Requirements document and an update of the General Principles of T2S, and adopted Decision ECB/2011/20 establishing detailed rules and procedures for implementing the eligibility criteria for central securities depositories to access T2S Services. Further information will be provided on the ECB's website shortly.

Publication of the oversight assessment report of EURO1

Further to its approval in August 2011 of the conclusions of the oversight assessment of EURO1 – a private sector payment system for single domestic and cross-border payments in euro between banks operating in the EU – the Governing Council authorised on 4 November 2011 the publication of the assessment. The report, together with an accompanying press release, is available on the ECB's website.

Financial stability and supervision

Financial Stability Review December 2011

On 17 November 2011 the Governing Council authorised the publication of the "Financial Stability Review – December 2011", which provides a comprehensive assessment of the capacity of the euro area financial system to withstand adverse developments and examines the main sources of risk to and vulnerabilities of financial system stability. It is due to be published on the ECB's website by mid-December 2011.

Advice on legislation

ECB Opinion on recovery and resolution measures for credit institutions in Ireland

On 21 October 2011 the Governing Council adopted this Opinion at the request of the Irish Minister for Finance (CON/2011/84).

ECB Opinion on a State guarantee covering certain loans granted to Dexia SA and Dexia Crédit Local SA in France

On 24 October 2011 the Governing Council adopted this Opinion at the request of the French Ministry of Economic Affairs, Finances and Industry (CON/2011/85).

ECB Opinion on stabilisation measures and bridge banks in Romania

On 31 October 2011 the Governing Council adopted this Opinion at the request of Banca Naţională a României (CON/2011/86).

ECB Opinion on foreign currency mortgages and residential property loan agreements in Hungary

On 4 November 2011 the Governing Council adopted this Opinion at the request of the Hungarian Ministry for the National Economy (CON/2011/87).

ECB Opinion on the extension of the Irish State guarantee of eligible liabilities of credit institutions

On 7 November 2011 the Governing Council adopted this Opinion at the request of the Irish Minister for Finance (CON/2011/88).

ECB Opinion on the payment by the Banco de Portugal of an increase in Portugal's quota with the International Monetary Fund

On 9 November 2011 the Governing Council adopted this Opinion at the request of the Portuguese Ministry of Finance (CON/2011/89).

ECB Opinion on a Danish loss guarantee in connection with an extended compensation scheme

On 9 November 2011 the Governing Council adopted this Opinion at the request of the Danish Ministry of Business Affairs and Growth (CON/2011/90).

ECB Opinion on the amendments to Lietuvos bankas' profit distribution rules

On 10 November 2011 the Governing Council adopted this Opinion at the request of Lietuvos bankas (CON/2011/91).

ECB Opinion on protection against counterfeiting and on the preservation of the quality of cash circulation in Germany

On 11 November 2011 the Governing Council adopted this Opinion at the request of the German Ministry of Finance (CON/2011/92).

ECB Opinion on the management of financial crises and the setting up of an independent financial stability fund in Cyprus

On 15 November 2011 the Governing Council adopted this Opinion at the request of the Cypriot Ministry of Finance (CON/2011/93).

Banknotes

Extension of the extended custodial inventory (ECI) programme

On 21 October 2011 the Governing Council approved the extension of the regional scope of the ECI programme, launched in March 2008, from Asia to North America and the Middle East by way of an open tender procedure, and the prolongation of the current three-year ECI programme until the award of contracts to the successful bidders for the new programme. ECIs facilitate the international distribution of euro banknotes outside the euro area and provide valuable related information.

Fitness and Probity: Industry Update

23 November 2011

The Central Bank of Ireland has today published final guidance in relation to its new fitness and probity regime which, as announced previously, becomes effective from December 1st next.

The revised guidance addresses issues raised during the consultation process and covers, in particular, detailed guidance in relation to outsourcing. The Central Bank will shortly publish revised Regulations and Standards clarifying both the scope and application of the regime.

The main changes are:

- Where outsourcing is to a regulated financial services provider, requirements of the outsourcing firm in relation to 'Pre-Approval Controlled Functions' (PCFs) will not apply.
- Where outsourcing is to an unregulated entity, the Service Level Agreement (SLA) must address issues of compliance with both 'Controlled Functions' (CF) and PCF requirements.
- Where a SLA is already in place, it will be necessary to reflect the requirements of the Fitness and Probity regime when the SLA is next updated or in the next 12 months, whichever is earlier.
- The Company Secretary function will be removed from the categories of PCF. (However, where an individual in the position of Company Secretary exercises significant influence, they will continue to be captured under CF1.)
- Branches of EEA authorised institutions operating in the State fall outside the scope of application of the Standards.

While the effective date of the Standards remains December 1st for PCFs and firms are required to notify the Central Bank of in situ PCFs before December 31st, 2011 firms have until March 31st, 2012 to fulfil their due diligence responsibilities.

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

Central Bank of Ireland Publishes Consultation on Inquiry Guidelines

25 November 2011

The Central Bank of Ireland today issued a public consultation, Consultation Paper 57, on draft Inquiry Guidelines to be prescribed pursuant to section 33BD of the Central Bank Act 1942 (as amended).

The aim of the draft Inquiry Guidelines is to provide a framework for the Central Bank to conduct, in appropriate cases, an Inquiry as part of the Administrative Sanctions Procedure under Part IIIC of the Central Bank Act 1942 (as amended).

The draft Inquiry Guidelines provide significant detail in terms of the practice and procedure to be adopted during an Inquiry. It is intended that, once finalised, the Inquiry Guidelines will replace the existing "Administrative Sanctions Guidelines" published by the Central Bank in 2005.

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

Central Bank Data on Financial Vehicle Corporations

29 November 2011

The Central Bank of Ireland has commenced a regular quarterly release on financial vehicle corporations (FVCs) resident in Ireland.

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

Central Bank of Ireland Publishes October 2011 Money and Banking Statistics

30 November 2011

The Central Bank of Ireland today published the October 2011 Money and Banking Statistics.

Loans and other credit

- Loans to households continued to decline during October 2011, and were 3.9 per cent lower on a year-to-year basis at end-October 2011, following a decline of 4 per cent for the year ending September 2011. Lending for house purchase was 2.6 per cent lower on an annual basis in October, while lending for consumption and other purposes declined by 8.1 per cent over the same period.
- Household lending fell during October by €614 million, following a net monthly decline of €183 million in September. All categories of lending to households declined over the month, with a reduction of €319 million in loans for house purchase being accompanied by falls of €248 million and €48 million in loans for consumption and other purposes, respectively.
- The decline in lending for house purchase during October was €319 million, which relates to underlying business activity during the month. Due to securitisation activity, however, a decline of €17 billion was recorded in loans for house purchase on the credit institutions statistical balance sheet (Table A.1).
- The monthly net flow of loans to households averaged minus €413 million in the three months ending October 2011, which consists of an average net flow of minus €215 million in loans for house purchase, minus €165 million in loans for consumption purposes, and minus €34 million in lending for other purposes.
- While lending to the non-financial corporate (NFC) sector declined by 1.7 per cent in the year ending October 2011, the decline has been slower than that for the household sector.
- On a monthly basis, loans to NFCs declined by €500 million during October 2011, following a rise of €594 million in September. The monthly net flow of loans to NFCs averaged minus €114 million in the three months ending October 2011, compared with a positive average of €105 million in the three-month period up to end-September 2011.
- Short-term loans to NFCs with an original maturity of up to one year, which includes overdraft facilities, increased during the month by €58 million, following an increase of €548 million in September 2011. Long-term NFC loans with an original maturity of over five years increased by €125 million during October. However, the aggregate developments in

loans to NFCs during October were dominated by a fall of €682 million in medium-term loans with an original maturity of over one year and up to five years.

- There was a continued shift into short-term borrowing by NFCs and on an annual basis, the increase in NFC loans up to one year maturity accelerated again, to 6.9 per cent in October 2011 following a rise of 5.5 per cent in September. The annual rate of change in NFC loans with an original maturity of over five years remained at minus 2.6 per cent. However, NFC lending between one and five years original maturity remained on a downward trajectory, with the annual rate of decline being 7.5 per cent in October following a decline of 5.5 per cent in September 2011.
- Credit institutions' holdings of debt and equity securities issued by the Irish private sector fell by €575 million in October 2011, bringing year-on-year growth in these holdings down to 12.8 per cent. The annual growth in credit institutions' holdings of private-sector securities is largely related to holdings of debt securities issued by other financial intermediaries (OFIs), which includes special-purpose vehicles (SPVs) such as those set up by NAMA. The pace of growth has eased in recent months as the process of transferring loans to the NAMA SPV in return for bonds has ended. Credit institutions' holdings of OFI debt securities increased by 13.5 per cent on an annual basis in October 2011.

Deposits and other funding

- The annual rate of decline in Irish resident private-sector deposits was 11 per cent at end-October 2011, compared with a decline of 10.5 per cent at end-September. Deposits from households were 4.5 per cent lower on an annual basis in October, having declined by 4.7 per cent in the year ending September 2011. NFC deposits declined at an annual rate of 7.8 per cent in October, while deposits from ICPFs and OFIs fell by 25 per cent over the same period.
- There was an underlying rise of €583 million in Irish resident private-sector deposits during October. This was driven by increases of €177 million and €464 million in household and NFC deposits, respectively over the month. Deposits from ICPFs also rose during October by €112 million. These increases more than offset a decline of €171 million in deposits from Irish resident OFIs during the month.
- The aggregate developments in private-sector deposits were dominated by significant flows into term deposits with agreed maturity of up to two years, which increased by €600 million during October. There was also an increase in deposits with an agreed maturity over two years during the month of €167 million. This shift into longer-term deposit products, which was almost entirely reflected in household and NFC accounts, offset declines in overnight deposits and short-term savings deposits (redeemable at notice). Both these deposit categories declined during October, by €19 million and €165 million respectively.

- The decline in overnight deposits during October 2011 was mostly related to a fall in household and OFI deposits of €131 million and €115 million, respectively, which offset a rise in NFC overnight deposits of €189 million. The decline in redeemable at notice deposit accounts was largely due to the household sector, with significant amount of these funds being placed in the more attractive longer-term savings products offered during the month.
- Private-sector deposits from other euro area residents declined by 10.3 per cent over the year ending October 2011, whereas those from non-euro area private-sector residents were 12.8 per cent lower over the same period. There was an underlying net monthly decline in private-sector deposits from other euro area residents during October, of €561 million. Meanwhile deposits from the non-euro area resident private sector rose by €1.8 billion during the month, which entirely reflected transactions with counterparties affiliated to credit institutions resident in Ireland.
- Credit institutions' borrowings from the Central Bank as part of Eurosystem monetary policy operations rose by €585 million in October 2011. The outstanding stock of borrowings from the Eurosystem by Irish resident credit institutions amounted to €100.9 billion at end-October. Domestic market credit institutions3 accounted for €71.5 billion of this total outstanding stock, following an increase of €365 million in their recourse to Eurosystem refinancing operations during the month.
- A number of credit institutions have issued debt under the Eligible Liabilities Guarantee scheme and have retained the bonds concerned for their own use. For methodological reasons these are not included in the Money and Banking Statistics tables. At end-October 2011, the outstanding amount of these bonds was €17.6 billion.

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

Central Bank Launches New Risk-Based Supervision Framework - Firms Required to Take Action on Unacceptable Risks

1 December 2011

The Central Bank of Ireland today launched its new risk-based supervision framework, PRISM (Probability Risk and Impact SysteM). The framework establishes a new approach for supervisory engagement with regulated firms.

Under the PRISM system:

- The Central Bank's supervisory activities are focused on the firms which are most significant and on the risks that pose the greatest threat to financial stability and consumers.
- The system categorises all regulated firms into four separate impact categories, which are based on the level of damage a firm could cause to the financial system, economy and consumers were it to fail. Firms will be categorised as high impact, medium-high impact, medium-low impact or low impact, which will determine the number of supervisors assigned and level of interaction with each firm.
- The Central Bank will engage with firms at a level that corresponds to their impact category; the higher the impact, the higher the level of engagement. Engagement will involve reviews, inspections and meetings, and the frequency and level of engagement will be associated with the firms' impact rating.
- All firms in the impact categories high, medium-high and medium-low will have their risks assessed across ten risk categories. Central Bank supervisors will form judgements on the risks posed and issue firms with a 'report card' with views on the risks.
- Firms will also receive a 'to do list', outlining the actions that need to be taken to address any risks the Central Bank finds are too high. Firms will be required to take action to address these risks and bring them to an acceptable level.

Deputy Governor, Matthew Elderfield, said 'We have introduced this system so that we are better equipped to spot problems before they become crises, particularly when dealing with our highest impact firms, and can intervene early and effectively to resolve risks to consumers and financial stability'.

The PRISM system has been implemented for all banks and insurance firms and will be introduced to all supervised firms by the end of June 2012.

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

Central Bank Data on Investment Funds

2 December 2011

The Central Bank today publishes statistics for Q3 2011 on investment funds (IFs) resident in Ireland.

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

Central Bank of Ireland Publishes Auditor Protocol

6 December 2011

Following a public consultation, the Central Bank of Ireland today published the Auditor Protocol between the Central Bank and auditors of Regulated Financial Service Providers. The Auditor Protocol provides a framework which allows the Central Bank and the auditing profession to exchange relevant information on a timely basis with the aim of enhancing both the regulatory and statutory audit processes.

The framework governs communication between the Central Bank and auditors, providing a structure for bilateral meetings (meetings between the Central Bank and auditors) and trilateral meetings (meetings between the Central Bank, auditors and the audit committee or Independent Non-Executive Director).

The Auditor Protocol, which in the first instance applies to those firms which are rated High Impact under the Central Bank's new regulatory risk model PRISM, will become effective in 2012.

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 Learn About Share Ltd (Ireland)

8 December 2011

The Central Bank of Ireland today published a warning notice on Learn About Shares Limited (Ireland). The firm is not authorised as an investment firm or as an investment business firm in Ireland and has been offering investment services, investment advice and investment business services in the State. The notice is published today in Irish daily newspapers under the European Communities (Markets in Financial Instruments) Regulations 2007 and the Investment Intermediaries Act, 1995, as amended.

It is a criminal offence for an investment firm or an investment business 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, 88 warnings naming 162 firms have been issued.

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

Results of EBA Capital Exercise – Irish Banks

8 December 2011

The Central Bank of Ireland today published the results for the Irish banks included in the European Banking Authority (EBA) capital exercise. The Irish banks involved in the 2011 EU-wide stress test (Bank of Ireland, AIB and Irish Life & Permanent) were included in the capital exercise.

The results show that the Irish banks do not require any additional capital. Irish banks have been recapitalised, following the Prudential Capital Assessment Review (PCAR) process in March 2011, and are required to maintain a minimum Core Tier 1 Ratio of 10.5% on an on-going basis.

Results by Institution

Institution	Recapitalisation Exercise Core Tier 1 at September 2011
AIB	20.11%
Bank of Ireland	12.85%
Irish Life & Permanent	23.87%

Note: Circa €800 million of gains generated by Bank of Ireland as part of its capital generating Liability Management Exercises in July 2011, are not included in the amount of Common equity of €8,001 million at 30 September 2011. These gains will be included in the Core Tier 1 capital of Bank of Ireland when the independent audit of the year end accounts is finalised.

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 J & E Davy t/a Davy

9 December 2011

The Central Bank of Ireland ("the Central Bank") has entered into a Settlement Agreement with effect from 8 December 2011 with J & E Davy t/a Davy ("the firm"), a regulated financial services provider, in relation to breaches of Regulations 112 and 33(1)(a) of the European Communities (Markets in Financial Instruments) Regulations 2007 ("the MiFID Regulations").

Three breaches were identified. The breaches related to:

1. the firm failed to report 61,542 transactions in financial instruments which were admitted to trading on a regulated market or a multilateral trading facility operated by a market operator ("MTF") to the Central Bank by close of business on the day following the execution of the transaction during the period 1 November 2007 until 25 March 2011;
2. the firm did not report the correct counterparty in 20,806 transactions in financial instruments which were admitted to trading on a regulated market or a MTF during the period 1 November 2007 until 4 February 2011; and
3. the firm failed to establish adequate policies and procedures sufficient to ensure compliance with Regulation 112 of the MiFID Regulations as set out in breaches 1 and 2 above.

The Central Bank reprimanded the firm and required it to pay a monetary penalty of €50,000.

The details are that from 1 November 2007 the firm, like other stockbrokers and MIFID-authorised firms, was obliged to provide transaction reports on its trading activity in financial instruments admitted to trading on both regulated markets and on MTFs.

The non-reporting of transactions on a regulated market or a MTF referred to at 1 above, arose because of a failure to have accurate securities information.

Additionally, the firm failed to report the correct counterparty details on 20,806 transactions. The majority of the incorrect reporting of counterparty information arose when the firm reported the settlement agent as opposed to the counterparty to the transaction.

The Central Bank is satisfied that the failure to comply with the reporting obligations as set out in breaches 1 and 2 above is evidence that the firm's policies and procedures were not adequate to ensure full compliance with Regulation 112 of the MiFID Regulations.

The breaches were unintended and once detected the firm submitted all transaction reports correctly.

The penalties imposed in this case reflect the importance the Central Bank places on accurate and complete reporting of transactions in financial instruments under the MiFID Regulations.

In deciding the appropriate penalty to impose, the Central Bank has taken the following into account:

- the firm notified the breaches to the Central Bank and took timely and appropriate steps to rectify the breaches;
- 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.

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

"Accurate transaction reporting is essential to the Central Bank in effectively monitoring the markets in detecting market abuse and financial crime.

This is the second settlement with a firm for transaction reporting failures. Firms are required to ensure they submit data for reportable transactions by close of business the day after a trade is executed. Firms must appreciate the importance to the Central Bank that data submitted pursuant to transaction reporting requirements be accurate and complete. Where data does not meet the standards required, this jeopardises an important regulatory function of the Central Bank. We will address these types of failures, and other reporting failures, with firms including, where appropriate, by taking enforcement action.

Underlining the importance which the Central Bank places on accurate transaction reporting is the fact that the Central Bank has implemented an enhanced auditing programme, backed by newly introduced systems, which involves the routine inspection of the quality of reported data from firms and applies an internal grading and satisfaction rating system. The Central Bank has also held a number of bilateral transaction reporting workshops with firms, to set out our expectations on transaction reporting matters as well as future enhancements to the reporting regime."

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

Central Bank Completes Transfer of Prospectus Scrutiny from ISE

12 December 2011

The Central Bank of Ireland today (12 December 2011) announced the successful completion of the joint project with the Irish Stock Exchange (ISE) to unwind the delegation of prospectus scrutiny tasks which have been carried out by the ISE on behalf of the Central Bank under a delegation arrangement since 2005. It is a requirement under European law that the role of prospectus scrutiny be returned to the Central Bank by 31 December 2011. This project has been completed ahead of schedule and in accordance with the original project objectives.

Prospectus scrutiny involves the review of prospectus documents for equity, debt and closed-ended funds in accordance with the Prospectus (Directive 2003/71/EC) Regulations 2005 to ensure that prospectuses are compliant with the relevant legislative provisions.

Director of Markets Supervision, Gareth Murphy, said: 'The Central Bank is very pleased to announce the successful completion of this project ahead of schedule. As a result of the hard work and intensive collaboration of everyone involved in the project, we can now look forward to delivering a streamlined prospectus review and approval process which is based on a strong and expert regulatory framework, solid infrastructure and an active engagement with issuers and their agents.'

Chief Executive of the ISE, Deirdre Somers, said: 'The Irish Stock Exchange has provided its expertise and assistance to the Central Bank in the review of prospectuses since 2005 and in the last two years has worked collaboratively with the Central Bank in ensuring the seamless transition of this important statutory function in line with EU Directive requirements. We look forward to our continued role in providing listing, trading, settlement and information services to the securities markets in Ireland and enhancing our already strong relationship with the Central Bank and the wider securities community.'

Chairman of the Stakeholder Consultative Group, Cormac Kissane of Arthur Cox, said: 'The transition has been expertly and efficiently completed by the Central Bank and the ISE. Ireland is a leading international financial centre for securities listings. Market participants look forward to the continued success of this important industry following transition.'

Statistics on Securities Issues of Irish Financial and Non-Financial Firms October 2011

12 December 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-October 2011.

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

Trends in Personal Credit and Deposits: Q3 2011

14 December 2011

Summary

- Total credit to Irish private households outstanding on the balance sheet of resident credit institutions was €117.9 billion at end-September 2011, following a quarterly decline of 1.2 per cent and an annual decline of 2.5 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-September 2011 was €152.1 billion.
- The total deposits held in resident credit institutions by Irish private households was €86.5 billion at end-September 2011, following a quarterly decline of 0.6 per cent and an annual decline of 5 per cent.

Credit Advanced to Private Households – Loans for House Purchase[1]

- The annual rate of change in loans for house purchase sheet was minus 2.5 per cent at end-September 2011, following a quarterly decline of 0.6 per cent. This was the seventh consecutive quarterly decline, bringing the outstanding amount of loans for house purchase on-balance sheet to €98 billion. Total loans for house purchase, including securitised mortgages, peaked in June 2009 and have declined by 3 per cent since then. The outstanding amount of securitised mortgages, which continue to be serviced by resident credit institutions, was €34.2 billion at end-September 2011.
- Floating rate mortgages, which include standard variable rate, tracker rate, and mortgages with a fixed rate up to one year[2], accounted for 87 per cent of the outstanding amount of loans for house purchase on-balance sheet at end-September 2011. Tracker mortgages by themselves accounted for 53 per cent of outstanding loans for house purchase to Irish residents on the credit institutions' balance sheet. The share of standard variable rate mortgages increased slightly during Q3 2011 to 32 per cent, reflecting a net increase of €700 million during the quarter.
- Fixed rate mortgages accounted for 13 per cent of the outstanding amount of loans for house purchase on-balance sheet at end-September 2011, following a net decline of €679 million during the quarter. Mortgages over one year and up to three years rate fixation accounted for half of fixed rate mortgages outstanding, while mortgages over five years rate fixation accounted for just 11 per cent.

- Loans for principal dwellings accounted for 74 per cent of on-balance sheet loans for house purchase at end-September 2011. This share has remained unchanged from end-December 2010. Loans for principal dwellings declined during Q3 2011 by €328 million, driven by developments in fixed rate mortgages, which declined by €547 million. Floating rate mortgages for principal dwellings increased by €219 million over the quarter. This, in turn, was driven by an increase of €604 million in standard variable mortgages, while tracker mortgages declined by €330 million, and mortgages fixed up to one year fell by €55 million. Floating rate mortgages accounted for 85 per cent of the outstanding amount of loans for principal dwellings at end-September (of which 39 per cent standard variable, 59 per cent tracker, and 2 per cent up to one year fixed).
- The outstanding amount of on-balance sheet loans for buy-to-let residential properties was €24.2 billion at end-September, accounting for 25 per cent of loans for house purchase. There was a net decline of €298 million in these loans during Q3 2011 (1.2 per cent), reflecting declines in both floating and fixed rate mortgages, of €171 million and €127 million, respectively. Floating rate mortgages accounted for 93 per cent of the outstanding amount of loans for buy-to-let properties at end-September (of which 32 per cent standard variable, 68 per cent tracker, and 0.2 per cent up to one year fixed).
- Loans for holiday homes/second homes accounted for 1 per cent of on-balance sheet loans for house purchase at end-September 2011. Floating rate mortgages accounted for 91 per cent of the outstanding amount of loans for holiday homes/second homes at end-September (of which 53 per cent standard variable, 47 per cent tracker, and 0.1 per cent up to one year fixed).

Credit Advanced to Private Households – Other lending

- Non-housing related lending, or ‘other personal’ lending, accounted for 17 per cent (€19.9 billion) of total on-balance sheet credit advanced to Irish private households by resident credit institutions at end-September 2011.
- Lending in this category fell by 2.1 per cent in the year ending September 2011. This followed annual declines of 2.5 per cent at end-June 2011 and 4.4 per cent at end-March 2011. This category has recorded annual declines since December 2008.
- Non-housing related lending to private households peaked in Q1 2008. By end-September 2011 it had declined by 26.4 per cent from that peak.
- Non-housing related lending to private households declined by €830 million during Q3 2011 (4 per cent). This largely reflected developments in finance for other purposes, which fell by €763 million, while finance for investment purposes declined by €66 million.

Deposits from Private Households

- The deposits held in resident credit institutions by Irish private households stood at €86.5 billion at end-September 2011. This followed a decline of €497 million (0.6 per cent) during Q3 2011.
- The outstanding amount of personal deposits was 5 per cent lower on an annual basis at end-September 2011, compared with annual rates of decline of 5.7 per cent and 6 per cent at end-June and end-March, respectively.
- The net flow of personal deposits in the year ending September 2011 was minus €4.5 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 Private Household Credit and Deposits.

[2] Loans with interest rates fixed for a period up to one 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: Q3 2011

14 December 2011

Summary[1]

- Lending to non-financial, non-property related SMEs by Irish resident credit institutions declined by €296 million over the quarter (1.1 per cent), and €2.5 billion over the year (8.2 per cent), bringing total lending to SMEs in these sectors at end-September 2011 to €26.2 billion. This follows an annual decline of 9.8 per cent at end-June 2011.
- Gross new lending to non-financial, non-property related SMEs amounted to €540 million during Q3 2011.
- Credit advanced to all non-financial non-property related enterprises declined by €311 million over the quarter (0.8 per cent), and €3.1 billion over the year ending September (7 per cent), bringing total credit advanced to non-financial non-property related enterprises at end-Q3 to €40.3 billion. This follows annual declines of 3.5 per cent and 7.3 per cent at end-March 2011 and at end-June 2011, respectively.
- Credit advanced to property-related enterprises engaged in construction and real estate activities was 1.2 per cent lower over the year ending Q3 2011, despite a quarterly increase of €329 million in Q3. Meanwhile, lending to SMEs in these sectors had fallen by 8.3 per cent in the year ending Q3 2011, although lending increased on a quarterly basis by €372 million.
- Deposits held by Irish resident private-sector enterprises in credit institutions in Ireland declined by €3.9 billion (4.8 per cent) during Q3 2011, most of which related to a fall deposits from non-bank financial intermediaries. Non-financial enterprise deposits were €36.5 billion at end-Q3 2011, following a quarterly increase of €414 million (1.1 per cent), bringing the annual rate of decline to 8.6 per cent.

Loans Advanced to SMEs

- The outstanding amount of loans advanced to Irish SMEs by resident credit institutions was €73.6 billion at end-Q3 2011. This was a decline of 0.04 per cent over the quarter and a decline of 5.2 per cent over the year.
- The total outstanding amount of SME loans includes 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 €61.3 billion at end-Q3 2011, an underlying increase of €76 million (0.1

per cent) during the quarter but a decline of €4.1 billion (8 per cent) over the year ending September 2011.

- There was €35.1 billion of loans outstanding to SMEs in the property-related sectors of construction and real estate activities at end-Q3 2011. Lending to SMEs in these sectors fell by a combined 8.3 per cent in the year ending September 2011, a net flow of minus €1.6 billion (i.e. repayments exceeded drawdowns[2] by €1.6 billion).
- Loans to non-property, non-financial SMEs accounted for 65.1 per cent of total credit to non-property, non-financial private-sector enterprises at end-Q3 2011. Lending to these SMEs fell by 8.2 per cent (€2.5 billion) in the year ending September, with a quarterly decline of 1.1 per cent (€296 million) during Q3 2011. This follows a decline in lending to these SMEs during Q2 2011 of €870 million (3.2 per cent).
- Lending to SMEs only increased in two non-financial, non-property related sectors during Q3 2011. These quarterly increases occurred in lending to information and communication services (10.7 per cent) and to the electricity, gas, steam and air conditioning supply sectors (0.8 per cent). One of the largest quarterly declines, both in value and in percentage terms, was in lending to the business and administration services sector (3.5 per cent).
- Gross new lending (i.e. drawdowns of new facilities, excluding restructuring or renegotiations of existing facilities)[3] to non-property, non-financial SMEs totalled €540 million during Q3 2011, compared with €527 million in Q2 2011 and €565 million in Q1 2011. New SME lending in these sectors during Q3 continued to be concentrated in the agricultural sector (€135 million) and the wholesale/retail trade sector (€120 million). Gross new lending to SMEs in the non-property, non-financial sectors was €2.4 billion in the year ending September 2011, equivalent to 7.3 per cent of the September 2010 outstanding stock of lending to SMEs in these sectors.

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 decreased to €206.9 billion at end-September 2011, compared with €212.3 billion at end-June 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[4]. Excluding financial intermediation, the total amount of private-sector enterprise credit outstanding was €99.1 billion at end-September 2011.
- The annual rate of change in non-financial private-sector enterprise credit was minus 3.6 per cent at end-September, equivalent to a net annual flow of minus €4.2 billion. Credit advanced to the construction and real estate sectors accounted for €1 billion of this decline over the year ending September. Credit to these sectors was 1.2 per cent lower

on an annual basis by end-Q3 (adjusted for the impact of transfers to NAMA), despite positive flows during Q3 2011 of €329 million.

- Excluding property-related and financial sectors, credit advanced to Irish private-sector enterprises stood at €40.3 billion at end-September 2011, a decline of 7 per cent (€3.1 billion) 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 non-financial enterprises at 23 per cent, followed by the hotels and restaurants sector at 19.6 per cent. Credit to these sectors was 8.3 per cent and 4.1 per cent lower on an annual basis, respectively at end-September 2011.
- Credit advanced to the manufacturing sector was 5.4 per cent lower on an annual basis at end-September 2011, following a quarterly decline of €54 million during Q3. Credit to the manufacturing sector has been declining persistently on an annual basis since end-June 2009.
- Credit to enterprises in the business & administrative services sector declined by €92 million during Q3 2011, following a fall of €61 million in the previous quarter. On an annual basis, credit advanced to this sector declined by 3 per cent in the year ending September 2011, compared with an annual increase of 3.9 per cent at end-June 2011.
- Credit advanced to the agriculture sector, which accounted for 11 per cent of all non-property, non-financial credit to enterprises at end-September 2011, was 3.1 per cent lower on an annual basis, as increases experienced during mid-2010 began to be reversed in 2011.

Deposits from Irish Resident Private-Sector Enterprises

- The quarterly net flow of deposits from Irish private-sector enterprises during Q3 2011 was minus €3.9 billion (4.8 per cent). This followed a fall of €2.3 billion during Q2 2011 (3.1 per cent). The annual decline in deposits from Irish private-sector enterprises was 17.2 per cent at end-September (€15 billion).
- The financial intermediation sector (excluding monetary financial institutions) accounted for the majority of this decline, with deposits from this sector being €11.5 billion (24.1 per cent) lower over the year ending September 2011.
- Excluding financial intermediation, there was an annual decline of private-sector enterprise deposits of 8.6 per cent (€3.4 billion) in the year ending September 2011. Non-financial sector deposits increased by €414 million during Q3 2011 (1.1 per cent).

[1] All flows and growth rates are fully adjusted to exclude the impact of non-transaction related effects, such as reclassifications, revaluations, exchange rate variations and any other changes which do not arise from transactions, for example, changes in the reporting population (e.g. the exit of Bank of Scotland Ireland from the market during Q4 2010).

[2] Drawdowns include any funds advanced to the customer during the quarter that were not part of the outstanding amount of credit advanced at the end of the previous quarter.

[3] 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.

[4] 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 49 per cent shareholding, is a private-sector entity.

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 Susquehanna International Securities Limited

The Central Bank of Ireland ("the Central Bank") has entered into a Settlement Agreement with effect from 13 December 2011 with Susquehanna International Securities Limited ("the firm"), a regulated financial services provider, in relation to breaches of Regulations 112 and 33(1)(a) of the European Communities (Markets in Financial Instruments) Regulations 2007 (the "MiFID Regulations").

Two breaches were identified. These are:

1. the firm failed to report 334,795 transactions in financial instruments, which were admitted to trading on a regulated market, to the Central Bank by close of business on the day following the execution of the transaction during the period 3 November 2008 to 29 December 2010; and

2. the firm failed to establish adequate policies and procedures sufficient to ensure compliance with Regulation 112 of the MiFID Regulations as set out in breach 1 above.

The Central Bank reprimanded the firm and required it to pay a monetary penalty of €60,000.

In the case of 332,083 unreported transactions, the firm explained that in determining whether or not to report the transactions they entirely relied upon information provided by a third party, which incorrectly classified the transactions as non-reportable. In the case of 2,712 transactions, the firm incorrectly classified those transactions as non-reportable.

The Central Bank is satisfied that the failure to comply with the transaction reporting obligations as set out above is evidence that the firm’s policies and procedures were not adequate to ensure full compliance with Regulation 112 of the MiFID Regulations.

The breaches were unintentional and once discovered the firm submitted all transaction reports correctly.

The penalties imposed in this case reflect the importance the Central Bank places on accurate and complete reporting of transactions in financial instruments under the MiFID Regulations.

In deciding the appropriate penalty to impose, the Central Bank has taken the following into account:

- the firm immediately notified the breaches to the Central Bank and took timely and appropriate action to rectify the breaches; 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.

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

"This is the third settlement with a firm for transaction reporting failures and the second this month. The importance of accurate and complete transaction reporting is something of which all relevant regulated entities should be aware.

As set out in my commentary on the settlement earlier this month, accurate transaction reporting is essential in order to enable the Central Bank to fulfil its role in effectively monitoring the market to detect market abuse and financial crime. It is also key to the Central Bank's role of transmitting transaction reporting data to other relevant competent authorities within the EEA. In light of the importance of these functions, the Central Bank will continue, where appropriate, to take enforcement actions against regulated entities that fall short of the required standards in this area.

In my earlier commentary I also referred to the Central Bank's enhanced auditing programme (backed up by newly introduced systems) which involves the routine inspection of the quality of reported data from firms and applies an internal grading and satisfaction system rating. The introduction of this new programme serves to underline the importance with which the Central Bank views transaction reporting. The Central Bank has also held a number of bilateral transaction reporting workshops with firms, to set out our expectations on transaction reporting matters as well as future enhancements to the reporting regime."

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

Central Bank Inspection Identifies Unfair Practices in Current Account Charges

Information Release 14 December 2011

The Central Bank of Ireland today published the results of a themed inspection which examined how banks are imposing 'out-of-order[1]' charges on current accounts. The inspection found that all charges were within limits approved by the Central Bank. However, a number of concerns were identified with the way certain charges were applied.

The inspection examined three out-of-order charges, i.e. surcharge interest, referral/over limit fees and unpaid item fees, across 300 customer accounts in five banks. These charges are more likely to arise for customers who are in financial difficulty and who may be struggling to keep a positive balance on their current accounts. The inspection also included an examination of 100 customer complaints files.

Director of Consumer Protection, Bernard Sheridan, said: 'Consumers need to be aware that they will incur out-of-order charges when they do not have sufficient funds in their account to meet outgoing payments. It is important that consumers keep an eye on their bank accounts and take steps to avoid such charges where possible. While our inspection did not identify any overcharging, we were not satisfied with the way in which some charges were applied across some of the banks inspected and we have directed the relevant banks to change their practices'.

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

The key outcomes from the inspection were:

Prohibition on charging a minimum amount of surcharge interest

One bank applied a minimum amount of surcharge interest of €2.54 even when the amount of surcharge interest accrued on the account was less than €2.54 for the month. The Central Bank considered this to be an unfair charge and the bank concerned has been directed to stop applying surcharge interest in this way.

Prohibition on applying referral fees and unpaid item fees jointly for the same item

In certain circumstances two banks applied both a referral fee and an unpaid fee when an item was unpaid. Although this was not in conflict with the banks terms and conditions or the approval limits, the Central Bank considers this to be unfair and has directed the banks to stop applying referral fees in this way and to amend the terms and conditions of relevant current accounts.

Requirement to base referral fees on close of day account balance

One bank applied a referral fee based on whether sufficient funds were in the current account at the time of presentation of the debit item, as opposed to whether the account was over limit at close of business, as is industry practice. It was determined that this was not in customers' best interests, as in some cases customers would lodge money to the current account during the business day and the account would not be over limit at close of business, but yet the referral fee would still be applied. The bank concerned has been directed to apply the referral fee based on the close of business position of the current account.

Complaint handling

One bank was instructed to carry out a review of its complaint handling procedures, following its failure to adhere to the complaint handling requirements of the Consumer Protection Code.

Where the key actions identified from the inspection require significant changes to systems, terms and conditions and brochures, the Central Bank has agreed timelines for implementation.

The Central Bank of Ireland also provided feedback on areas of best practice identified on the following issues:

Fees on feeder accounts

All banks were instructed to identify current accounts that are only used as feeder accounts to facilitate loan repayments, and to ensure that no fees are applied to such accounts, in accordance with the Consumer Protection Code.

Introduction of a buffer limit to unpaid item fees

It was identified that one bank does not apply an unpaid item fee where the value of the item unpaid is less than €20, which is considered to be an example of best practice. It was considered to be good practice not to apply an unpaid fee where the value of the unpaid item is less than the value of the unpaid fee and have requested banks to incorporate this into their charging structure.

Improved information in statements

Only one bank provided details on the customer statement of the item that generated the unpaid fee. It is clearly in customers' interests that this information is provided and all banks are now requested to include this breakdown in customer statements going forward.

All banks were encouraged to enhance the ways in which they assist customers to avoid incurring out of order activity fees, particularly in the current economic climate. Where banks identify customers who are repeatedly incurring such fees, banks should be proactive in contacting those customers, not only to advise of the fees that have been applied, but with a view to putting a long term solution in place that is beneficial to the customer.

[1] 'Out-of-order' charges arise when a customer uses the account outside of approved limits.

Central Bank Inspection and Mystery Shop Identifies Concerns about Information Provided on Current Account Switching

16 December 2011

The Central Bank of Ireland today published the results of a review of the current account switching process. The review comprised an on-site inspection and a mystery shopping exercise conducted across four banks.

The aim of the inspection was to assess how well the switching process works for consumers and the extent to which frontline bank staff provide information to consumers, and are aware of and understand the Central Bank's Switching Code.

The mystery shopping exercise identified concerns about the level of awareness and understanding of the Switching Code by branch staff, and the quality of information provided to consumers when making enquiries about switching. However, the on-site inspection found that the switching process is generally working well and within the statutory timeframes allowed, although consumers continue to experience problems when moving direct debits when switching.

Director of Consumer Protection, Bernard Sheridan, said: 'We are disappointed and concerned at the quality and standard of information and interactions between consumers and branch staff as experienced by our mystery shoppers. This falls short of our expectations and may discourage consumers who wish to switch from doing so.

It is vital that all switching information provided to consumers, both verbal and written, increases their awareness and understanding of the switching process, and supports them to switch accounts smoothly and efficiently. We have informed all banks that branch staff should be fully trained to provide quality and timely information on switching to consumers. The switching of direct debits, in particular, can cause consumers undue hassle and cost on occasions when not carried out on time and serves to put consumers off switching.'

On-Site Inspection

The onsite inspection reviewed switching during the period October 2010 to June 2011 and the main issues identified are:

- Low levels of switching with only 6,114 current accounts switched in the period representing 0.16% of all current accounts in the four banks.
- Communication with customers was poor, therefore banks should enhance the ways in which they communicate with consumers in order to ensure that the switching process works smoothly and efficiently for consumers.

- Complaints that relate to switching are not always categorised as such. Banks should be in a position to readily identify complaints specific to this area. Banks should also engage in regular analysis of the volume and nature of such complaints, to highlight possible areas that require attention.
- Issues that arise in the switching process can be due to delays in relation to direct debit originators updating their records. Banks should continue to work with the direct debit originators to make improvements in this area.
- Banks did not retain all relevant documentation, including correspondence issued to consumers, other banks, direct debit originators, etc., in order to be able to demonstrate compliance with the Switching Code.
- Not all banks regularly review their switching process, therefore, banks are recommended to consider how compliance with the Switching Code and the switching process can be tested and to include these in their compliance planning going forward.

Mystery Shopping Exercise

A mystery shopping exercise was carried out in September 2011 by a third party appointed by the Central Bank and involved visits to sixty branches of the four banks on a nationwide basis.

The main findings of the mystery shopping exercise were:

- Only half of the mystery shoppers felt encouraged to switch after the visit.
- Bank staff lacked awareness and training in the Switching Code. It was found that:
  - Only half of the staff were aware of the switching process spontaneously once the mystery shopper stated they wished to move their account;
  - One fifth requested that the mystery shoppers make an appointment with a specific staff member. This made the process more difficult and could deter the customer from switching;
  - The switching pack, which sets out the information required by the consumer to go through the process, was provided in less than half of the visits and half of those were incomplete;
  - Explanations of how standing orders, direct debits and salary payments would be dealt with were provided on just over half the visits.

The Central Bank has informed all banks of the results of this inspection and mystery shopping exercise. Individual feedback has been provided to the banks concerned and they are required to consider the results and report back to the Central Bank, particularly with regard to awareness of and compliance with the Switching Code and provision of consumer information.

The findings in one bank were particularly unsatisfactory and we have requested that a plan, including proposed timelines, be put in place by end-February 2012, to address the issues identified and to report back on progress to the Central Bank.

The findings and recommendations will also feed directly into a formal review of the Switching Code which will take place in 2012.

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 Combined Insurance Company of Europe Limited

19 December 2011

The Central Bank of Ireland has entered into a Settlement Agreement with effect from 16 December 2011 with Combined Insurance Company of Europe Limited (the "firm"), a regulated financial services provider, in relation to breaches of regulatory requirements contained in the 2006 Consumer Protection Code (the "Code"), the European Communities (Insurance Mediation) Regulations (SI 13/2005) (the 'IMD') and the 2006 Minimum Competency Requirements (the "MCR").

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

"This is the largest fine issued by the Central Bank and reflects the seriousness with which we view fundamental regulatory failures including inadequate systems and controls which cause large scale non-compliance with our regulatory requirements. This enforcement action relates to consumer protection failures and the penalty imposed demonstrates that we will not tolerate breaches of this nature.

The types of failures arising in this matter not only cause detriment to a firm's customers but also erode the special trust customers place in regulated firms, leading to significant reputational and regulatory cost, in the form of penalties and the expense of remedial action for firms.

The Consumer Protection Code (the "Code"), which was introduced by the Central Bank in 2006, sets out the standards the Central Bank expects regulated entities to comply with in their dealings with consumers. The breaches identified in this case constitute some of the gravest and most persistent breaches of those standards that the Central Bank has come across since the introduction of the Code.

The protection of consumers in their dealings with financial entities is one of the Central Bank's statutory objectives and is therefore a key priority. We have said previously where serious breaches of regulatory requirements designed to provide that protection occur, regulated entities can expect that those breaches will be investigated fully and followed through to conclusion. The use of highly pressurised sales tactics will not be accepted by the Central Bank and regulated entities should ensure that all members of their sales forces are familiar with their obligations and with the regulatory requirements which apply to them.

Insurance companies can cause significant consumer detriment through mis-selling, through their remuneration arrangements and having inadequate systems and controls. The level of consumer detriment in this case arising from the firm's non-compliance and behaviour, will not be tolerated by the Central Bank. We will continue to focus our supervisory and enforcement resources to achieve acceptable standards of compliance and consumer protection within the financial services industry, including through robust enforcement action.

My colleague, Director of Consumer Protection, Bernard Sheridan, has an important message on the revised Consumer Protection Code:

"Our recently published revised Consumer Protection Code, significantly strengthens consumer protection measures, the need for which were highlighted by this enforcement case. Firms are reminded that from 1 January 2012, unsolicited personal visits to consumers will be banned and firms will be required to take account of any vulnerabilities that emerge in their interactions with consumers in recommending a suitable product. In addition, the revised Code reflects the Central Bank's concerns in relation to remuneration arrangements and includes specific provisions in this regard. Regulated entities must now carefully review, and revise where necessary, all relevant aspects of their business in light of our new Code."

Finally, the Central Bank would like to acknowledge the cross-jurisdictional co-operation it received from the Financial Services Authority in the UK who have taken their own enforcement action for misconduct against an affiliated company of the firm.

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

Central Bank Publishes Impairment Provisioning and Disclosure Guidelines

20 December 2011

The Central Bank of Ireland today published guidelines for the Covered Institutions[1] to follow in the development and application of their impairment provisioning frameworks. The paper 'Impairment Provisioning and Disclosure Guidelines' sets out the policies, procedures and disclosures which the Covered Institutions should adopt for their loan asset portfolios which are subject to impairment review in accordance with IAS 39. The Central Bank expects that these guidelines will be reflected in the Covered Institutions' 2011 annual results.

Director of Credit Institutions Supervision, Jonathan McMahon, said: 'We want to see financial statements prepared on a more conservative basis, with the impairment provisioning methodologies better aligned to economic realities. We also want a greater number of higher quality disclosures. We expect that the application of these guidelines will result in earlier completion of impairment reviews and a more conservative and realistic approach to the measurement of impairment provisions across all loan asset portfolios. This ought, over time, to encourage greater confidence in published financial statements.'

The Guidelines recommend that the Covered Institutions should:

- Review and revise their existing impairment triggers for each loan asset portfolio to ensure that a trigger identifies a loss event as early as possible. This should result in the earliest possible recognition of losses within the IFRS framework;
- Adopt a more conservative approach to the measurement of impairment provisions across all loan portfolios; and
- Significantly improve the number and granularity of their asset quality and credit risk management disclosures.

[1] AIB, Bank of Ireland, Irish Life and Permanent, EBS and Irish Bank Resolution Corporation

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

Central Bank Publishes Research on Current Account Charges

20 December 2011

The Central Bank of Ireland today published the findings of research into charges applied by the main retail banks[1] to personal current accounts (PCAs).

The research found that customers whose accounts go into an unauthorised overdraft position pay the highest fees. The highest current account costs occur when consumers have high numbers of out-of-order[2] transactions occurring on their account such as unauthorised overdrafts, unpaid direct debits and over-limit or referral fees.

The research also compared charges with similar charges applied by a selection of banks in the UK and Northern Ireland. The structure for charging fees in Ireland differs from that in the UK and Northern Ireland, with customers whose accounts stay in credit paying slightly higher fees than the UK and Northern Ireland but customers whose accounts go out-of-order paying much lower fees than the UK and Northern Ireland.

Director of Consumer Protection, Bernard Sheridan said: 'Our research is evidence that out-of-order charges are the greatest driver in pushing up the cost of running a current account. It is important that, where possible, consumers limit the instances of out-of-order activity on their accounts. Consumers who find themselves continually in an unauthorised overdraft position or are being charged a number of out-of-order charges should engage early with their banks to agree a more suitable and less-costly approach. Savings can also potentially be made by using electronic transactions in place of manual transactions, where possible, as manual transactions tend to incur higher costs.

If customers are unhappy with their current account provider for any reason, including cost, they have the right to switch to a different provider[3].'

Four individual consumer profiles were developed to reflect different current account holders' behaviours and usage patterns: standard, non-standard, sophisticated and non-sophisticated.

The main findings from the research are:

- The main driver of high bank charges is out-of-order activity such as unpaid direct debits, surcharge interest and over-limit or referral fees.
- Manual transactions tend to incur higher fees than electronic transactions.

The findings based on the consumer profiles set out in the paper found that:

The average cost to the consumer for running a current account based on the four profiles are as follows:

- Standard profile – Average yearly cost €86;
- Non-standard profile – Average yearly cost €231;
- Sophisticated profile – Average yearly cost €52;

- Unsophisticated profile – Average yearly cost €26.

Over 70% of scenarios would incur fees of less than €120 per annum for their current account, or €10 per month.

The majority of scenarios with annual costs of over €120 per annum were for scenarios with high numbers of out-of-order transactions occurring.

60% of scenarios in the Irish banks would incur fees of less than €50 per annum for day-to-day transactions charges only compared to 94% of scenarios in the UK and Northern Ireland.

The research is published in the Central Bank paper, 'A Review of Personal Current Account Charges'.

[1] AIB, Bank of Ireland, National Irish Bank, Permanent TSB and Ulster Bank

[2] 'Out-of-order' charges arise when a customer uses the account outside of approved limits. The main out-of-order charges are surcharge interest, referral/over limit fees and unpaid item fees.

[3] The Switching Code which was put on a statutory footing in October 2010 sets out a framework for customers to switch their current account providers.

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) December 2011

22 December 2011

The Decisions taken by the Governing Council of the ECB (In addition to decisions setting interest rates) for December 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 Issues Warning on Investment Firms Bingham Consulting Group (USA), Swiss Financial Research AG (Switzerland) and Tate and Carver Consultancy Group (USA).

22 November 2011

The Central Bank of Ireland today published a warning notice on Bingham Consulting Group (USA), Swiss Financial Research AG (Switzerland) and Tate and Carver Consultancy Group (USA). The firms are not authorised as investment firms in Ireland and have been offering investment services in the State. The notice is published today in Irish daily newspapers under the European Communities (Markets in Financial Instruments) Regulations 2007.

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

Any person wishing to contact the Central Bank of Ireland with information regarding such firms may telephone (01) 224 4000. This line is also available to the public to check if an investment firm is authorised. Since obtaining the necessary legal powers in August 1998, 89 warnings naming 165 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 November 2011 Money and Banking Statistics

30 December 2011

The Central Bank of Ireland today published the November 2011 Money and Banking Statistics.

Loans and other credit

- Loans to households continued to decline during November 2011, and were 4.1 per cent lower on a year-to-year basis at end-November 2011, following a decline of 3.9 per cent for the year ending October 2011. Lending for house purchase was 2.7 per cent lower on an annual basis in November, while lending for consumption and other purposes declined by 8.6 per cent over the same period.
- Household lending declined during the month by €363 million, based on underlying transactions, following a net monthly flow of minus €617 million in October. Developments in November were largely driven by a decline of €221 million in loans for house purchase, while loans for consumption and other purposes fell by €142 million and €1 million, respectively.
- The monthly net flow of loans to households averaged minus €388 million in the three months ending November 2011, which consists of an average net flow of minus €208 million in loans for house purchase, minus €170 million in loans for consumption purposes, and minus €10 million in lending for other purposes.
- Lending to the non-financial corporate (NFC) sector declined by 1.5 per cent in the year ending November 2011, following an annual decline of 1.7 per cent in October.
- On a monthly basis, loans to NFCs increased by €39 million during November 2011, following a decline of €450 million in October. The monthly net flow of loans to NFCs averaged €34 million in the three months ending November 2011, compared with an average of minus €124 million in the three-month period up to end-October 2011.
- Short-term loans to NFCs with an original maturity of up to one year, which includes the use of overdraft facilities, increased during the month by €389 million, following an increase of €134 million in October 2011. However, the increase in November was almost entirely offset by declines in medium- and long-term NFC loans of €286 million and €65 million, respectively.
- On an annual basis, the pace of contraction in longer-term NFC loans eased further. In the year ending November 2011, loans with an original maturity of over five years fell by 2.3 per cent. NFC lending between one and five years original maturity declined on an annual basis by 6.8 per

cent. Short-term loans continued to grow, increasing by 6.2 per cent in the year ending November 2011.

- While credit institutions' holdings of debt and equity securities issued by the Irish private sector increased by €50 million in November 2011, the annual rate of change in these holdings eased further, to 3.9 per cent. The annual growth in credit institutions' holdings of private-sector securities is largely related to holdings of debt securities issued by other financial intermediaries (OFIs), which includes special-purpose vehicles (SPVs) such as those set up by NAMA. The pace of growth has eased in recent months as the process of transferring loans to the NAMA SPV in return for bonds has ended. Credit institutions' holdings of OFI debt securities increased by 3.6 per cent on an annual basis in November 2011.

Deposits and other funding

- The annual rate of decline in Irish resident private-sector deposits was 9 per cent at end-November 2011, compared with a decline of 11 per cent at end-October. Deposits from households were 3.4 per cent lower on an annual basis in November, having declined by 4.5 per cent in the year ending October 2011. NFC deposits declined at an annual rate of 7.6 per cent in November, while deposits from ICPFs and OFIs fell by 20.3 per cent over the same period.
- There was an underlying decline of €1.3 billion in Irish resident private-sector deposits during November. This predominantly reflects developments in the household sector, where deposits fell by €1.2 billion during the month. This can partly be explained by seasonal factors, as household deposits have fallen in November for each year since 2004. Deposits from Irish resident NFCs and ICPFs also fell during November, by €155 million and €31 million respectively, while OFI deposits increased by €68 million.
- Overnight deposits fell by €27 million during November, however this figure masks the significant underlying flows among the various sectors. Overnight deposits from households fell by €1.1 billion during the month. This was offset by increases of €642 million and €406 million in overnight deposits from ICPFs and OFIs, respectively. NFC overnight deposits also increased during November, by €61 million.
- Term deposits with agreed maturity of up to two years fell sharply in November, by €1.2 billion. This was mainly reflected in the ICPF and OFI sectors, where deposits with agreed maturity up to two years fell by €756 million and €329 million, respectively. NFC deposits in this category fell by €113 million, while household deposits fell by €34 million.
- There was a large fall of €5.8 billion in deposits from non-euro area residents during November, which included sizeable valuation effects arising from exchange rate movements. Private sector deposits from non-euro area residents fell by €2.5 billion, all of which relates to IFSC-

based banks. There was also a fall of €3.2 billion in total deposits by non-euro area residents with the covered institutions. This is all explained by inter-affiliate transactions and valuation effects. Conversely, euro area deposits with resident credit institutions increased by €1.6 billion during the month.

- Credit institutions' borrowings from the Central Bank as part of Eurosystem monetary policy operations rose by just under €3 billion in November 2011. The outstanding stock of borrowings from the Eurosystem by Irish resident credit institutions amounted to €103.9 billion at end-November. Domestic market credit institutions2 accounted for €73.1 billion of this total outstanding stock, following an increase of €1.6 billion in their recourse to Eurosystem refinancing operations during the month.
- A number of credit institutions have issued debt under the Eligible Liabilities Guarantee scheme and have retained the bonds concerned for their own use. For methodological reasons these are not included in the Money and Banking Statistics tables. At end-November 2011, the outstanding amount of these bonds was €17.6 billion.

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

Central Bank of Ireland Announces the End of the Ban on Short Selling of Certain Financial Instruments

30 December 2011

The Central Bank of Ireland announces the end of the ban on short selling of certain financial instruments, which has been in place since September 2008, from midnight on 30 December 2011.

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

Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem