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Central Bank of Ireland
Eurosystem

Press Releases

January – June 2012

Central Bank of Ireland – Press Releases January-June 2012

Central Bank Issues €2 Coin to Commemorate 10 Years of Euro

3 January 2012

The Central Bank of Ireland today issued into circulation a €2 commemorative coin which celebrates 10 years of the euro in circulation. The coin is being issued in all euro area countries and bears a common design on the national side. In Ireland, the design appears in place of the harp and is inscribed with 'éire' along with the years 2002-2012.

The coin is the third €2 commemorative coin to be issued by the Central Bank. The first was issued in 2007 celebrating the 50th anniversary of the Treaty of Rome and the second was in 2009 to celebrate ten years of the Economic and Monetary Union.

The coin was created by Helmut Andexlinger, a professional designer at the Austrian Mint, whose design was chosen by the citizens and residents of the euro area using internet voting. The design elements surrounding the euro symbol on the coin depict people, the financial world, trading, industry, the energy sector, and research and development.

A maximum of three million coins will be issued by the Central Bank which will have legal tender status throughout the euro area.

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

Quarterly Financial Accounts for Ireland: Q2 2011

4 January 2012

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 Q2 2011. An overview of some notable trends in households, Government and non-financial corporates is outlined below.

Household sector results show:

- Irish households' net financial wealth, which does not include housing assets, stood at €106.9 billion or €23,852 per capita at end Q2 2011. This represented a slight decline in net financial wealth of €192 million or 0.17 per cent over the quarter and marked the first fall in household's net financial wealth since Q1 2009.
- The reduction in net financial wealth during Q2 2011 reflected a decline in household's financial assets over the quarter, which was mitigated to some extent by a corresponding decline in liabilities. The fall in household financial assets was mainly as a result of a fall in the value of insurance technical reserves, due to weaker performance in the international bond and equity markets.
- Overall, households' net financial wealth has increased by 85 per cent or €49.2 billion between Q1 2009 and Q2 2011. The increases in net financial wealth have been influenced by two factors: appreciating financial asset values, as insurance technical reserves[2] 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 continued to decline over the quarter, albeit at a slower rate than in previous quarters. Households' liabilities stood at €192.4 billion or €42,896 per capita in Q2 2011. This represented a decline of 0.4 per cent over the quarter. Overall, liabilities have declined by €19.89 billion or 9.4 per cent since their peak of €212.2 billion in Q4 2008.
- Households continued to be net lenders during Q2 2011, albeit at a lower level than in previous quarters. This means that on average Irish households have been lenders, providing funding to the rest of the economy. Net lending is influenced by two factors: household's financial

asset transactions and their liabilities transactions. Since late 2009, households have been deleveraging, thereby reducing high debt levels. This trend is primarily responsible for households' net lending position.

- Household net lending reached its peak during Q2 2010, but has declined every quarter since, as households have reduced investment in financial assets, particularly deposits. The results show that since end 2010, households have been on aggregate disinvesting in 'currency and deposits'.

Government sector results show:

- Government liabilities fell to €152.8 billion during Q2 2011, representing a decline of 2 per cent from the previous quarter. The decline largely reflects a reduction in debt securities, as outstanding securities issued by the Government were redeemed, as the value of securities continued to fall due to the sovereign crisis. Loans to the Government continued to increase during Q2, as the State received further funding from the EU/IMF programme. Since the start of Q1 2011, the State has received nearly €23 billion in funding from the EU/IMF. By Q2 2011, EU/IMF funding formed 15 per cent of total Government liabilities.
- The Government's net financial wealth, the difference between Government's financial assets and liabilities, increased slightly by €296 million and €480 million during Q1 2011 and Q2 2011, respectively. These increases marked the first rise in net financial wealth since Q4 2007.
- The Government deficit, when measured as a four-quarter moving average, fell from €7.8 billion during Q1 2011 to €6.9 billion in Q2 2011. During Q1 2011 and Q2 2011, there were no capital injections into the banking sector by Government. In July 2011, the Government injected €17.6 billion into AIB/EBS, BoI and ILP. The impact of these injections on the debt will be captured in the Q3 2011 Government accounts.

Non-Financial Corporate sector results show:

- In Q2 2011, the non-financial corporate (NFC) sector's liabilities increased by almost €11 billion to €826 billion. The stock of financial assets increased by over €4.5 billion to €643 billion. As financial liabilities exceeded financial assets, this reduced the sector's net financial wealth[3] by 3.6 per cent to minus €184 billion.
- In terms of the valuation changes of financial assets and liabilities, both experienced a decline in value during Q2. Financial assets experienced a greater decline in value compared to liabilities. The NFC sector's financial assets declined in value by approximately €8.8 billion in Q2 2011 largely reflected a decline in the value of the NFC sector's 'unquoted shares and other equity' assets.

- The NFC sector was a net lender, when measured as a four-quarter moving average, for the third consecutive quarter during Q2 2011. This means that on average the NFC sector was a net lender providing financing to the other sectors in the economy.
- The NFC sector received almost 55 per cent of total funding, from 'shares and other equity' and 30% of funding from 'loans', both showing similar proportions of total funding as in Q1 2011.

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

[2] 'Insurance technical reserves' include life assurance policies and pension funds.

[3] 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 of Ireland Issues Coin Set Celebrating Irish Hound

6 January 2012

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

This is the final coin set in the series celebrating animals which have appeared on Irish coinage and are synonymous with Ireland and its culture and heritage. Based on the original designs by the late sculptor and medallist, Percy Metcalfe, the first and second set featured the horse and salmon respectively. Each set in the series is complemented by a €15 silver proof collector coin. A €15 silver proof collector coin featuring the hound will be issued in October 2012.

The collector set, which has an issue limit of 17,000 units, is presented in a special display folder and contains each of the eight euro coins in uncirculated quality. The set is available to purchase from 6 January at a cost of €25 per set directly from the Central Bank of Ireland, Dame Street, Dublin 2. Alternatively orders can also be placed by calling 1890 307 607 (lo-call within Ireland).

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

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

- At end-November 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 five per cent compared to the same period in 2010. This comprised €745 billion in Euro denominated securities and €272 billion in non-Euro denominated securities. There were ongoing redemptions of short-term debt securities by the banking sector in November with the pace of redemptions decreasing slightly compared with October.
- The outstanding value of long-term Government bonds was €85.4 billion at end-November. This was down from €89.8 billion in October following the redemption of a government bond in November.
- Developments for market-based debt financing for the banking sector comprised net redemptions of €180 million during November; this included the issuance of €526 million in long-term debt securities which was offset by the redemption of €706 million of short-term debt securities. Net redemptions in November represent a substantial decrease on the equivalent figure for the banking sector in October 2011 when net redemptions of €1.7 billion across short and long-term debt securities were recorded. Moreover, the pace of these redemptions has fallen substantially when compared with November 2010 (€5.3 billion).
- Following net redemptions of long-term debt securities of €5.6 billion during October, the other financial intermediary sector recorded net issuance of long-term debt securities of approximately €7.7 billion in November. The outstanding amount of long-term debt securities rose to more than €761 billion at end-November 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 issued by non-financial corporates, and insurance companies and pension funds were €3 billion and €2.3 billion, respectively, at end-November 2011.
- Equity securities, excluding investment fund shares/units, had an outstanding value of just over €181 billion at end-November, mainly comprising equities quoted on stock exchanges; this represented a month-on-month net increase of approximately €1 billion (or almost one per cent). This rise was primarily attributable to a €1.5 billion increase in the outstanding amount of equity securities of non-financial corporates which was partially offset by a decrease of approximately €0.5 billion in the outstanding amount of equity securities of the banking sector. The increase in the non-financial corporates sector was as a result of increases in market valuation.
- The total outstanding amount of equity securities at end-November represents an increase of 10 per cent compared to the same period in 2010. This increase was principally driven by the rise in the outstanding amount of equity securities of the MFI sector (71 per cent), the other financial intermediary sector (15 per cent) and non-financial corporates (six per cent) since November 2010.

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

Special Manager Appointed to Newbridge Credit Union

13 January 2012

Newbridge Credit Union Continues to Operate as Normal

Following an application by the Central Bank of Ireland, the High Court today appointed a Special Manager to Newbridge Credit Union (NCU). The Special Manager will oversee the day-to-day management of the credit union. The action has been taken to protect members' savings and to allow the credit union to operate as normal.

Members of NCU do not need to take any action and can continue to do business as normal with the credit union. NCU's offices remain open and all services, including deposit and loan facilities, are available.

Registrar of Credit Unions, James O'Brien, said 'We have taken this action to strengthen NCU, protect members' funds and ensure that NCU can continue to operate effectively, providing financial services to the local community. We believe that a strong and viable credit union sector, based on strong well governed credit unions based in local communities, is central to the future of the financial system in Ireland and this action is aimed at protecting the wider credit union sector.'

Credit Union members are reminded that eligible deposits of credit union members, up to €100,000, are fully guaranteed by the statutory Deposit Guarantee Scheme.

NCU members can contact the credit union with any queries as normal. The Special Manager will write directly to all members in the coming week to inform them of the appointment.

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

Economic Letters Series – Job Creation and Destruction in Recession

19 January 2011

The Central Bank's Economics Letters series comprises short notes on particular domestic economic considerations. Using standard economic approaches, relevant policy issues pertinent to the Irish economy are addressed in a concise and accessible manner. The latest in the series looks at Job Creation and Destruction in Recession.

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 Salamon & Tate Consulting Group (USA) and Winchester Consultancy Group (USA)

20 January 2012

The Central Bank of Ireland today published a warning notice on Salamon & Tate Consulting Group (USA) and Winchester 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, 90 warnings naming 167 firms have been issued.

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

Statement - Dunne and Maxwell

24 January 2012

The Central Bank inspected the business of Dunne and Maxwell Limited trading as yourmoney.ie, whose registered office is Room 6, Clarendon House, Clarendon Street, Dublin 2. As a result of this inspection, the Central Bank has reasons to be concerned about the nature of this firm’s operations and the handling of consumers’ monies.

The Central Bank has communicated directly with the clients of Dunne and Maxwell Limited to advise them to cease all payments with immediate effect and to be aware that Dunne and Maxwell may not be in a position to pay any bills on their behalf to lenders or other creditors.

Customers of Dunne and Maxwell Limited are advised to check directly with their creditors to discuss what new arrangements need to be put in place for the future.

The Central Bank is also contacting the creditors of customers of Dunne and Maxwell Limited and encouraging them to treat sympathetically any customers who have been adversely affected by Dunne and Maxwell Limited.

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

Central Bank Statement on Bill Payment and Debt Management Firms

24 January 2012

Following the failure of Home Payments Limited in mid-2011, the Central Bank has inspected the bill payment and debt management industry to assess whether firms providing these services are carrying out any activity that falls to be regulated by the Central Bank and whether consumer funds may be at risk. Following identification of a dozen companies providing these services, the first phase of the Central Bank's review has concluded with the Bank writing to a number of companies notifying them that their activities are subject to regulation by the Central Bank and requiring that immediate steps be taken to provide additional protection to client funds. In one case the Central Bank has also intervened to communicate with clients and creditors. This process is continuing.

Those companies that are subject to Central Bank regulation need to determine whether they wish to apply for authorisation from the Central Bank or whether they will change their business model. In the meantime the Central Bank is requiring that certain controls are in place regarding client assets which are overseen by an independent third party.

Depending on the exact business model undertaken by a firm, it may or may not be subject to regulation by the Central Bank. Debt management firms which process payments on behalf of clients are subject to regulation under payment services legislation. The Central Bank believes that it would be appropriate to implement the recommendation of the Law Reform Commission to ensure that the debt management and debt advice services of all firms in the sector are subject to regulation. The Minister of Finance has asked his officials to prepare legislation for the future regulation of the bill payment, debt management and debt advice sector. It is intended, subject to Government approval, to include this new legislation as a Committee Stage amendment to the Central Bank (Supervision and Enforcement) Bill 2011.

The Central Bank is taking this opportunity to remind firms that they are obliged to establish whether or not they are carrying out activities that may be regulated by the Central Bank. If they do not hold the appropriate authorisation, they should contact us immediately.

Advice to Consumers

The Central Bank is advising consumers to be aware that the bill payment and debt management companies they are using may not be regulated by the Central Bank. Where they provide funds to an unregulated company for onward payment to a creditor, the handling of this money will not be subject to segregation and safeguarding rules. Customers of bill payment and debt management companies who have any concerns regarding their money are advised to check directly with their creditor (e.g., utilities provider, mortgage provider, credit card company, etc) without delay.

Consumers should note that many credit unions provide budgeting and bill paying services and are subject to regulation. Anyone having difficulty keeping up repayments on any loans should consider contacting MABS helpline on 0761 07 2000.

The Central Bank would welcome assistance from consumers to ensure it has identified all companies providing bill payment and debt management services in order to determine whether they should be subject to regulation. Consumers may contact the Central Bank on 1890 777777.

Central Bank of Ireland Issues €10 Coin in Honour of Jack B. Yeats

25 January 2012

The Central Bank of Ireland today launched a limited edition €10 collector coin in honour of the artist, Jack B. Yeats.

Designed by Michael Guilfolyle, the silver proof collector coin features a portrait of Yeats overlooking a sketch of a horse. Horses were often depicted in Yeats' paintings as the centre of Irish rural life and as a symbol of movement and drama. The coin is Ireland's contribution to this year's European Silver Coin Programme which, for 2012, allows each member state of the eurosystem to issue a collector coin in celebration of a European artist. The programme is represented by the Europa star symbol which also features on the coin.

Speaking at the launch, Gerry Quinn, Chief Operations Officer at the Central Bank of Ireland, said: 'I am confident this coin will prove very popular, both nationally and internationally, given the high regard for the work of Jack B. Yeats. In the year of the 2012 Olympic Games, it is worth noting that Yeats holds the distinction of being Ireland's first medallist at the Olympic Games following the creation of the Irish Free State. At the 1924 Summer Olympics in Paris, Yeats' painting The Liffey Swim won a silver medal in the arts and culture segment of the Games, and we are delighted and honoured to have this wonderful artwork with us at today's launch. On behalf of the Central Bank, I would like to thank the Yeats family and the National Gallery of Ireland for their assistance with this project.'

Speaking on behalf of the Yeats' estate, Catríona Yeats, grand-niece of the artist, said: 'The Yeats family is delighted that Jack B. Yeats will be pictured on the coin. Michael Guilfoyle's design is impressive and striking in its simplicity and the coin is a fine tribute to Jack B.'

The collector coins, which have an issue limit of 12,000 units, are available to the public from today. Orders can be placed by downloading the order form from the website www.centralbank.ie or by calling 1890 307 607. Alternatively the coin can be purchased directly from the Central Bank of Ireland on Dame Street, Dublin at a cost of €46.

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

New Research on Mortgage Interest Rates

26 January 2012

The Central Bank of Ireland today publishes new economic research on 'Variable Mortgage Rate Pricing in Ireland'. The research examines movements in the interest rates charged on variable rate mortgages over the last number of years.

The key findings of the research are as follows:

- Variable rate mortgages, the most common of which is the Standard Variable Rate or 'SVR', account for approximately one-third of outstanding loan balances and one-half of outstanding loans by number.
- Since early 2009, the bulk of new mortgage lending has been on (standard) variable rates. By contrast, at the peak of the recent property boom, over three-quarters of new lending was on tracker rates.
- Variable rate loans tend to be older vintage loans (i.e. many pre-2000), with smaller loan balances. For example, the average balance on an owner-occupier variable rate mortgage at end-2010 was €90,000, or around half the average balance on a tracker mortgage.
- Currently, the average interest rate on variable rate loans is just under 2 per cent higher than the average interest rate on tracker loans. This varies considerably across banks and is as much as 3 per cent for some lenders. Up to end 2008, the difference was almost zero between variable and tracker rates.
- The research shows that the following factors explain the increase in variable rates in recent years, compared to tracker rates:
- Higher funding costs
- Less competition
- More margin pressure due to higher credit risk costs. It appears that some lenders are charging higher variables rates to compensate for higher arrears and the losses they are making on their tracker loans.

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) January 2012

27 January 2012

Advice on legislation

ECB Opinion on the salaries of civil servants in Cyprus

On 4 January 2012 the Governing Council adopted this Opinion at the request of the Cypriot Ministry of Finance (CON/2012/1).

ECB Opinion on German measures for the stabilisation of the financial market

On 24 January 2012 the Governing Council adopted this Opinion at the request of the German Federal Ministry of Finance (CON/2012/2).

ECB Opinion on dematerialised securities in Luxembourg

On 24 January 2012 the Governing Council adopted this Opinion at the request of the Luxembourg Ministry of Finance (CON/2012/3).

ECB Opinion on a guarantee scheme for the liabilities of Italian banks and on the exchange of lira banknotes

On 24 January 2012 the Governing Council adopted this Opinion at the request of the Italian Ministry of Economic Affairs and Finance (CON/2012/4).

ECB Opinion on a proposal for a Directive on the access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms and a proposal for a Regulation on prudential requirements for credit institutions and investment firms

On 25 January 2012 the Governing Council adopted this Opinion at the request of the Council of the European Union (CON/2012/5). The Opinion will be published in the Official Journal of the EU and on the ECB's website.

Corporate governance

Chairmanship of the Eurosystem IT Steering Committee (EISC)

On 12 January 2012 the Governing Council appointed Mr Benoît Cœuré, Member of the Executive Board of the ECB, as Chair of the EISC with immediate effect.

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

Central Bank Announces End of Market Abuse Delegation Arrangement with the Irish Stock Exchange

31 January 2012

The Central Bank of Ireland today announced that the Market Abuse delegation arrangement with the Irish Stock Exchange (ISE), which has been in place since 2005, has been unwound.

Pursuant to the Market Abuse (Directive 2003/6/EC) Regulations 2005, the Central Bank delegated certain functions and tasks to the ISE. The ending of the delegation arrangement will result in the monitoring and investigation functions, formally undertaken by the ISE, being conducted by the Markets Supervision Directorate of the Central Bank.

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

Central Bank of Ireland Quarterly Bulletin 1 2012

2 February 2012

The Central Bank of Ireland today published Quarterly Bulletin 1 2012.

Comment

Following stronger than expected growth in the first two quarters of 2011, the Irish economy slowed markedly in the second half of last year. This reflected a significant moderation in both external and to a lesser extent, domestic demand. The weakness in the external environment is the key development of recent months and its depth and duration will be central to the prospects for the Irish economy over the next year or so. For last year as a whole, GDP is estimated to have expanded by about 0.8 per cent with GNP contracting by about 0.6 per cent. This is broadly in line with projections made at the start of the year, although with a more uneven quarterly pattern.

For this year, GDP growth is projected to moderate to about 0.5 per cent in 2012 with GNP declining by about 0.7 per cent. This represents a significant downward revision on the previous projections for this year and reflects, in the main, the weaker short-term prospects for external demand. This is expected to be followed by a pick-up in growth in 2013, to around 2.1 per cent in GDP terms and 1.0 per cent in GNP terms, based on a recovery in external demand from the second half of this year, alongside a gradual stabilisation in the domestic economy. Uncertainty remains high, however, and a wide range of outcomes is possible, including one in which the domestic economy is held back by weaker external demand for a longer than expected time.

The slowdown in the external environment has occurred against the background of an intensification of the sovereign debt crisis, the effects of which has now broadened beyond the financial system to the wider economy. In particular, concerns have escalated about the impact on the public finances of the financial crisis, either directly or indirectly through slower growth, across a range of countries. The likely true scale of this impact has only recently become apparent in many cases. This increased pressure on the public finances is having particular consequences in the euro area, where it has exposed short-comings in European economic governance which were not evident during more favourable times. These short-comings led to the accumulation of imbalances that are now difficult to deal with in a smooth, rapid and orderly manner.

A wide of range of actions has been taken to address the crisis. The Eurosystem has significantly increased the maturity of its liquidity provision to the market and eased access, by making available funding for up to three years. Increased support has also come from an expansion of its range of eligible collateral, reductions in reserve requirements and continued purchases under the Securities Markets and Covered Bond Purchase Programmes. European governments have also committed increased resources to the EFSF and ESM arrangements for supporting the financing of stressed Governments, as well as through bilateral loans to the IMF. Steps have also been taken to confirm the commitment of member states to budgetary discipline and to improve co-ordination of fiscal policies in the future. Nevertheless, markets remain tense and output growth is weak. It is clear that the cumulative impact of all these actions is not yet sufficient to convincingly dispel uncertainty about the ability of Europe to deal effectively with the challenges posed by the crisis.

Domestically, there continues to be good progress on the key policy issues. In the financial sector, banks are following deleveraging plans agreed as part of the Programme, although it is recognised that progress in this area has to take account of adverse market conditions in the short term. Loan to deposit ratios are also improving, largely as a result of deleveraging. The IBRC and NAMA also continue to manage down their balance sheets through selected asset disposals. The next PCAR/PLAR exercise is scheduled to take place later in the year and will retain the same rigorous features as in 2011. Actions have also been taken to bolster the credit union sector with the establishment of a resolution fund by the Minister and the exercise by the Central Bank of some of its powers under the resolution regime.

Fiscal developments have remained essentially on track with all the targets set out under the Programme being met with some margin in 2011. On the face of it, the consolidation measures announced in the Budget, and the somewhat better starting position for 2012, should allow the targeted reduction of the deficit to 8.6 per cent of GDP to take place, but the pattern of growth will clearly determine developments to a degree. While the fiscal outturn cannot be tied too closely to overall economic activity, the external weakness with its knock on effect on domestic growth is a concern, particularly if the external slowdown persists longer than currently projected. This would make the fiscal targets for this year and 2013 more difficult to attain. Any developments in Europe that contributed to improving growth conditions or that effectively provided Ireland with better financing conditions would be important in improving the prospects for the debt ratio to commence a steady decline to more comfortable levels.

Competitiveness developments continue to show a general improvement. The composition of changes, however, is somewhat different. Much of the improvement is now due to exchange rate depreciation. In fact, the data for the latter part of last year indicates that wages may no longer be declining, although wage developments continue to be moderate relative to the situation in most trading partners. Productivity growth continues to be favourable but the sectoral shift away from low productivity sectors still leads to some overstatement of the gains using standard economy-wide measures, as pointed out in previous Bulletins. This sectoral shift will have less of an impact this year and next year, however, reflecting the fact that the construction sector has reached a point where further significant declines are unlikely. Progress on structural reforms is also needed, including measures to improve efficiency in the provision of public services, against a backdrop of tighter resources, as well as greater competition in some private sector services. Both of these developments would help to further improve competitiveness, a development which is even more important now. Weaker external demand means that making gains in market shares is more critical than ever in terms of generating significant overall export and output growth.

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

Central Bank Publishes Programme of Themed Reviews and Inspections for 2012

9 February 2012

The Central Bank of Ireland today published its plans for a series of themed reviews and inspections during 2012. The main themes include an examination of the following areas:

- Mortgage Arrears – Ensuring lenders are delivering appropriate solutions to customers in mortgage arrears;
- Consumer Protection Code – How is the new code being implemented in banks and insurance companies;
- Payment Protection Insurance – Suitability of sales by banks and other lenders;
- Best Execution of Investment Transactions – How are investment firms meeting the minimum standards;
- Retail Intermediaries (insurance agents and brokers) – Review of firms where compliance concerns have arisen;
- Anti-Money Laundering and Counter Terrorist Financing – Inspections of firms in sectors where risks exist;
- Corporate Governance – Review of investment firms corporate governance standards;
- Outsourcing – Examination of outsourcing arrangements in fund administration firms;
- Client Asset Requirements – inspections of investment firms to assess compliance.

The Central Bank has developed a framework for reviewing, assessing and mitigating risks which have emerged in various industry sectors and across individual firms. This framework for themed reviews and inspections is a key element of its risk-based approach to supervision particularly in relation to low impact firms and also in the areas of consumer protection and anti-money laundering.

Themed reviews and inspections are a very important part of the supervisory framework and we are publishing this plan for the first time, in order to bring greater transparency and to signal our themed priorities for the year. This should allow the relevant sectors to prepare and should also help raise standards across the firms in each sector.

Themed reviews and inspections:

- Allow the Central Bank to monitor compliance with the relevant rules and requirements;
- Can form the basis for the Central Bank taking regulatory or enforcement action where breaches are identified;

- Help to raise industry standards by identifying and highlighting good and poor practices;
- Help to bring transparency to a risk as well as the Central Bank's expectations of how it should be dealt with; and,
- Help to build awareness of and confidence in our regulatory role as we publicise the main findings and related actions.

An update of our Programme for Themed Reviews and Inspections for 2012 will be published later in the year as part of the Annual Performance Statement.

Notes to Editors

The main themes for 2012 include:

1. Mortgage Arrears – This will be an ongoing project during 2012

Mortgage arrears remains one of the biggest challenges facing both mortgage holders and lenders. The Central Bank is carrying out a review to ensure that all mortgage lenders have a comprehensive strategy and framework in place to deliver appropriate solutions to customers in mortgage arrears and pre-arrears. This framework must be sustainable from the lenders perspective in terms of cost, must treat customers fairly and in accordance with the Code of Conduct on Mortgage Arrears and must also cover buy-to-let mortgages.

These strategies and plans must cover a range of issues including:

- What internal governance and management is in place to deliver on the strategy;
- What resources and internal infrastructures are in place;
- How lenders are helping borrowers before they fall into arrears;
- What additional approaches are being considered in terms of longer term solutions, particularly for those customers with unsustainable mortgages; and
- How lenders are complying with the existing requirements of the Code of Conduct on Mortgage Arrears.

All lenders have submitted their strategic plans for dealing with the issue. As our review of the strategies progress, we will provide feedback to the lenders on the key areas and will set out the additional work which they need to undertake in order to deliver on their strategies. We will report publically during the year on progress.

2. Consumer Protection Code – Finalise Theme Q2 2012

The Central Bank published its revised Consumer Protection Code ("the Code") in 2011 which came into full effect on 1 January 2012. The revised Code introduces a number of additional important protections for consumers when dealing with banks, other lenders, insurance companies and intermediaries. We intend to carry out a review of a number of retail firms to ensure that the Code is being fully implemented in key areas which will include levels of unsolicited contacts, treatment of vulnerable consumers, provision of information and advertising. We will publish a summary of the findings of this review as well as providing feedback to the firms examined.

3. Payment Protection Insurance – Finalise Theme Q2 2012

During 2011 we carried out a review of the suitability of sales of payment protection insurance to customers who took out loans to determine if the sales were in compliance with the Code requirements. We have completed our initial review of seven lenders and are now commencing further more detailed assessments as the initial review raised a number of concerns. We intend to complete this assessment in the first half of 2012 to determine if regulatory action is necessary and will follow up with each firm directly. A summary of the main findings will also be published.

4. Examination of Best Execution in Stockbroking and Investment Firms – Finalise Theme Q2 2012

For investor protection purposes, best execution requirements set standards of due care and diligence that an investment firm should follow when dealing on behalf of its clients in financial instruments. Best execution requirements give clients confidence that firms will act in their best interests. We have commenced an examination of best execution arrangements in stockbroking and investment firms regulated under the Markets in Financial Instruments Directive (MiFID)[1]. The examination includes both a desk based review of firms' policies and procedures and a number of on-site visits. We will publish a summary of the findings of this examination as well as providing feedback to the firms.

5. Targeting Non-Compliance by Retail Intermediaries – Finalise Theme Q2 2012

The Central Bank will conduct a series of themed reviews of the retail intermediary sector throughout 2012 to monitor and enforce compliance with Prudential and Conduct of Business Rules. We will specifically target firms for inspection, which are non-compliant in terms of submitting annual returns and/or payment of levies and/or based on complaints levels or other concerns.

The findings from our themed reviews will feed into, and inform, our on-going supervision of retail intermediaries.

6. Anti-Money Laundering & Counter Terrorist Financing ('AML/CTF') – This will be an ongoing project during 2012

In the context of its role as the competent authority for credit and financial institutions, the Central Bank will continue to carry out inspections during 2012, focussing both on sectors where known AML/CTF risks and non-compliance exist and sectors which have not yet been subject to inspection. AML/CTF inspections assist in securing compliance by firms with their legal responsibilities under the applicable legislation.[2] The Central Bank will follow up with firms directly where any findings of non-compliance are identified. Following completion of the inspections, the main findings arising will be communicated to the affected sectors and we will also engage on any wider policy issues as they emerge.

7. Corporate Governance - Finalise Theme Q2 2012

The Central Bank defines Corporate Governance as the procedures, processes and attitudes according to which an organisation is directed and controlled. During 2012 we will undertake a series of themed inspections of MiFID authorised investment firms to review and evaluate current corporate governance structures. In particular we will look to see that best practice industry principles are being implemented; that corporate governance structures are defined and roles and responsibilities for decision making are documented. We will provide feedback to the firms selected for this inspection series and will also publish a summary of our findings.

8. Outsourcing – Finalise Theme Q4 2012

On 1 July 2011, the Central Bank issued revised UCITS and non-UCITS Notices, which included Requirements on Outsourcing of Administration Activities in relation to Collective Investment Schemes (the 'Outsourcing Requirements'). The Outsourcing Requirements ensure that the outsourcing firm maintains a consistent standard of oversight over the service provider in relation to the outsourced activity. We intend to visit a number of administration firms to review their outsourcing arrangements, to ensure compliance with the Outsourcing Requirements.

9. Client Asset Requirements – Finalise Theme Q4 2012

MiFID firms authorised to hold client assets must comply in full with the provisions of the Client Asset Requirements, 2007. In keeping with previous years, we will carry out a themed inspection series across a number of firms authorised to hold client assets. Previously we have examined compliance with particular provisions within the Requirements, including compliance with daily reconciliation and calculation requirements; designation and confirmation of client accounts; safekeeping of client assets; and client asset compliance manuals. It is envisaged that we may revisit some or all of these areas for the 2012 themed series. We will also take into account any recommendations of the Client Asset Task Force which was commissioned to review the regulatory regime for the safeguarding of client assets including the scope of the regime and the adequacy of the Central Bank's supervisory arrangements. The recommendations of the Client Asset Task Force will be published at the end of February 2012

[1] The European Communities (Markets in Financial Instruments) Regulations, 2007 ('MiFID Regulations') is a comprehensive regulatory regime covering investment services and financial markets in Europe and introduces common standards for investor protection throughout the European Union. It applies to both investment firms and credit institutions when providing investment services, and to regulated markets.

[2] The Criminal Justice (Money Laundering and Terrorist Financing) Act 2010.

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

Eligibility Criteria for Additional Credit Claims

9 February 2012

The Central Bank of Ireland today announced that it will participate in the Eurosystem's Additional Credit Claims initiative as stated in today's ECB press release: ECB's Governing Council approves Eligibility Criteria for Additional Credit Claims.

Under this programme, the Bank will accept pools of secured (including mortgages) and unsecured credit claims (other loans) as collateral against Eurosystem operations. Such credit claims will be subject to the Bank's valuation and risk control criteria and will be accepted by the Bank under contractual arrangements with individual counterparties. The Bank intends to phase-in the various collateral types which it will accept under this initiative over several months.

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

10 February 2012

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

- At end-December 2011, the outstanding amount of debt securities issued by Irish financial and non-financial firms, and the Government remained stable at close to €1.03 trillion; this represented a reduction of four per cent compared to the same period in 2010. This comprised €745 billion in Euro denominated securities and €283 billion in non-Euro denominated securities. There were ongoing redemptions of short- and long-term debt securities by the banking sector in December with the pace of redemptions increasing significantly compared with November.
- The outstanding value of long-term Government bonds remained unchanged at €85.4 billion at end-December (compared to November 2011).
- Developments for market-based debt financing for the banking sector comprised net redemptions of €3.3 billion during December reflecting an ongoing Balance Sheet correction; this included the redemption of €2.9 billion in long-term debt securities. Net redemptions in December represent a substantial increase on the equivalent figure for the banking sector in November 2011 when net redemptions of €180 million across short and long-term debt securities were recorded. However, the pace of these redemptions has fallen substantially when compared with December 2010 (€10.3 billion).
- Following the issuance of long-term debt securities of €7.7 billion during November, the other financial intermediary sector recorded further net issuance of long-term debt securities of approximately €9.4 billion in December; this brought the cumulative net issuance for Q4 2011 up to €11.5 billion (compared to €26.4 billion in Q4 2010). The outstanding amount of long-term debt securities rose to more than €771 billion at end-December 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 amount of debt securities issued by non-financial corporates, and insurance companies and pension funds were €3 billion and €2.4 billion, respectively, at end-December 2011.
- Equity securities, excluding investment fund shares/units, had an outstanding value of just over €183 billion at end-December, mainly comprising equities quoted on stock exchanges; this represented a month-on-month net increase of approximately €2 billion (or just over one per cent). This rise was primarily attributable to a €2 billion increase in the amount outstanding for non-financial corporates which was partially offset by a decrease in the amount outstanding for the banking sector. These changes in both the non-financial corporates sector and the banking sector were as a result of changes in market valuations.
- The total outstanding amount of equity securities at end-December represents an increase of six per cent compared to the same period in 2010. This increase was principally driven by the rise in the outstanding amount of equity securities of the other financial intermediary sector (14 per cent) and non-financial corporates (2 per cent) since December 2010.
- A rise in the outstanding amount of equity securities in the MFI sector (62 per cent) over the past 12 months also played an important part although this partially reflected the impact of bank recapitalisations in 2011.

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

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

Central Bank Publishes Enforcement Priorities for 2012

13 February 2012

The Central Bank today published its Enforcement priorities for 2012, stressing the importance of enforcement within its new regulatory framework. Enforcement priority areas include mortgage arrears and client asset requirements.

Enforcement plays a fundamentally important role within the Central Bank's new risk-based regulatory framework [PRISM], helping to achieve a regulatory regime that is credible and effective. Director of Enforcement, Peter Oakes, said: "Enforcement action combined with the resultant publicity has a powerful impact, promoting compliance and deterring other industry participants from similar non-compliance whilst educating stakeholders on the standards and behaviours expected of them". We aim to achieve these outcomes across the PRISM Impact spectrum, including lower impact firms where we do not have an active supervisory relationship.

Outlining ten Enforcement priority areas for 2012, the Central Bank noted that its Enforcement effort is being directed towards the areas of greatest concern to its Supervisory Divisions, with these priority areas aligned to the themes identified in the Central Bank's 'Programme for Themed Reviews and Inspections for 2012'. Informing industry and consumers of its priorities, the Central Bank announced it is building on Enforcement work carried out last year. During 2011 the Bank entered into enforcement settlements with 10 regulated financial service providers resulting in a range of sanctions including the disqualification of two directors and fines totalling €5,050,000, including the largest fine to date of €3,350,000.

Central Bank Enforcement Priorities for 2012:

The Central Bank will pursue enforcement actions across a number of topics, including non-compliance identified by Supervisory Divisions in the following areas:

- Mortgage Arrears
- Retail Intermediaries
- Payment Protection Insurance
- Client Asset Requirements
- Prudential Requirements
- Anti-Money Laundering and Counter Terrorist Financing
- Transaction Reporting
- Systems and Controls
- Timeliness and Accuracy of Information submitted to the Central Bank

- Dissemination of inaccurate/incorrect information in the market (Transparency and Prospectus Directives)

Where serious breaches of these regulatory requirements occur, regulated entities and their management can expect vigorous investigation and follow-up by the Central Bank.

Industry should note that Enforcement actions taken in 2012 will not relate solely to these "Pre-defined" Enforcement Priorities and that the Central Bank has made provision in the allocation of its resources for 2012 to allow for a proportion of its work to relate to "Reactive" Enforcement in respect of issues identified through day-to-day supervisory work and from other information sources.

Notes for Editors:

PRISM: The Central Bank's new risk-based regulatory framework, PRISM, is squarely focused on the Central Bank being more assertive and prioritising the allocation of resources to areas where we believe the greatest risks lie.

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

Central Bank Highlights Concerns about Advertising by Regulated Entities

14 February 2012

The Central Bank of Ireland today said it is actively reviewing the advertising of financial products and services by regulated firms and is identifying practices in relation to advertisements which are not fully compliant with the requirements of the revised Consumer Protection Code ('the Code')[1]. The Central Bank has acted on a number of advertisements which it had concerns about and the relevant firms have been required to amend or withdraw the advertisements.

The Central Bank wrote to firms to remind them of the requirements relating to advertising, contained in the revised Consumer Protection Code, which came into effect on 1 January 2012. The Central Bank has highlighted practices in relation to advertising that it is not satisfied with. The Central Bank reiterated the relevant provisions relating to advertisements and said that it expects to see clearer, more balanced advertising of financial products and services with equal prominence given to key information.

Director of Consumer Protection, Bernard Sheridan said 'The Consumer Protection Directorate's strategy puts the consumer centre stage and our objective in relation to advertising is clear - consumers should receive balanced information on advertised financial products and services. The Central Bank expects firms to bear this in mind when designing their advertisements and in deciding what information to include'.

The following concerns are highlighted:

- Some advertisements have been identified where the Central Bank is concerned about fairness, clarity, accuracy and potential to mislead in terms of content and presentation.
- Key information in relation to the product is not sufficiently prominent in some advertisements.
- Advertisements have been identified where the qualifying criteria are not included with the minimum price or potential maximum saving, in the main body of the advertisement.

The Central Bank has stated that the key information and eligibility criteria should be stated with the minimum price or potential maximum saving, in the main body of the advertisement and must be prominent. Firms must also be aware of the differing sizes of proposed advertisements, and consider how they may appear in their final formats.

All firms have been reminded of their compliance obligations and the need to make all necessary amendments to ensure compliance with the requirements of the Code. The Central Bank will continue to keep advertising by firms under review.

Notes to Editors

The Consumer Protection Code 2012 (the Code) is imposed under Section 117 of the Central Bank Act, 1989 and came into effect on 1 January 2012. Contraventions of the Code may be subject to the imposition of administrative sanctions. The Code builds on the protections of the previous version, but includes more detailed requirements in many areas.

In relation to advertising, the Central Bank has drawn firms' particular attention to the following Provisions:

Provision 2.4 of the Code requires that the regulated entity 'has and employs effectively the resources, policies and procedures, systems and control checks, including compliance checks, and staff training that are necessary for compliance with this Code'.

Provision 9.2 of the Code in relation to advertising requires that 'a regulated entity must ensure that: a) the design, presentation and content of an advertisement is clear, fair, accurate and not misleading; b) an advertisement does not seek to influence a consumer's attitude to the advertised product or service or the regulated entity either by ambiguity, exaggeration or omission; and c) the nature and type of the advertised product or service is clear and not disguised in any way'.

Provision 9.6 of the Code requires that 'a regulated entity must ensure that: a) key information, in relation to the advertised product or service, is prominent and is not obscured or disguised in any way by the content, design or format of the advertisement; and b) small print or footnotes are only used to supplement or elaborate on the key information in the main body of the advertisement and must be of sufficient size and prominence to be clearly legible'.

Provision 9.7 of the Code requires that 'a regulated entity must ensure that any qualifying criteria in relation to: obtaining a minimum price for the advertised product or service; or benefiting from potential maximum savings relating to the advertised product or service is included in the main body of the advertisement'.

[1] The Consumer Protection Code 2012 is imposed under Section 117 of the Central Bank Act, 1989 and came into effect on 1 January 2012.

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

Quarterly Financial Accounts for Ireland: Q3 2011

14 February 2012

The Central Bank today published Quarterly Financial Accounts (QFA) for Ireland. The accounts present a complete and consistent set of quarterly data for all resident institutional sectors in Ireland.[1] They provide comprehensive information not only on the economic activities of households, non-financial corporates, financial corporates and Government, but also on the interactions between these sectors and the rest of the world. The data tables show the financial balance sheet and financial transactions of each of these sectors from Q1 2002 to Q3 2011. An overview of some notable trends in households, Government and non-financial corporates is outlined below.

Household sector results show:

- Household's net worth[2] declined by a further 3 per cent during Q3 2011, falling to €470 billion or €104,737 per capita. Overall, net worth has fallen by 35 per cent, since its peak at Q2 2007.
- The decline in net worth during Q3 2011 reflected the continued decline in the value of housing assets; and to a much lesser extent, a further decline in the value of financial assets. Housing assets have been on a downward trend since late 2007 and have so far declined by 41 per cent since their peak.
- The fall in net worth during Q3 was mitigated, to some extent, by the further reduction in household's liabilities. Over the period, liabilities fell to €190.5 billion or €42,484 per capita. This represented a decline of €1.8 billion or 0.96 per cent over the quarter. Overall, households' liabilities have declined by €21.7 billion or 10 per cent since their peak in Q4 2008.
- At Q3 2011, households' leverage ratio, measured as households liabilities as a percentage of their annual disposable income, stood at 218.7 per cent. This represented a slight increase from Q2 2011, reflecting the continued decline in households' disposable income as measured by a four sum moving average.
- Since Q1 2009, households have been net lenders, as measured by a four sum moving average. This trend partly reflects households' continued investment in financial assets, but, more substantially, a reduction in households' liabilities. Households are currently undergoing a process of deleveraging, as they reduce the high debt levels they incurred prior to the financial crisis. This trend continued during Q3 2011, as household net lending increased once more over the quarter.
- Households' investment in financial assets has been much lower during 2011 than in previous years. On aggregate, households have disinvested in 'currency and deposits' during 2011, while investment in 'insurance technical reserves[3]' (ITRs) has remained largely unchanged. The latter

trend may be because these ITRs are an extremely illiquid asset, from which households are generally unable to withdraw funds once invested until retirement.

Government sector results show:

- Government liabilities increased by €16.4 billion or 10.8 per cent on the previous quarter to reach €169.3 billion, their highest level to date. The growth in Government's liabilities largely reflects the recovery in the value of Government securities over the quarter. From late 2010 to Q2 2011, the market value of Government securities had been declining, due to the sovereign debt crisis. During Q3 2011 however, the value of Government securities began to recover once more, increasing Government's liabilities.
- Another contributor to the increase in Government liabilities during Q3 was the increase in funds received by the State as part of the EU/IMF programme over the quarter. At Q3 2011, State borrowing from the EU/IMF programme stood at €26.5 billion, equivalent to 15.7 per cent of total Government liabilities.
- During July 2011, the State injected €17.6 billion into the banking sector. The impact of this injection on debt is dependent on whether existing resources were used to fund the injection. The National Pension Reserve Fund (NPRF) provided €10bn of the July injection, therefore the impact on the Q3 debt is €7.6bn.
- The Government's net financial wealth, the difference between Government's financial assets and liabilities, fell by €22.7 billion or 29.2 per cent to minus €100.6 billion during Q3. The decline reflected the increase in State liabilities over the quarter, as well as, the decline in State assets.
- The Government's deficit increased to €3.9 billion during Q3 2011, when capital injections are excluded. The deficit including capital transfers declined further during Q3 2011, as no capital transfers have been recorded in the accounts since Q4 2010. During July 2011, the Government injected €17.6 billion into AIB/EBS, BoI and ILP. As the deficit impact of the July capital injections are still being assessed, no capital transfer has been recorded yet for Q3 2011.

Non-Financial Corporate sector results show:

- In Q3 2011, the non-financial corporate (NFC) sector's liabilities increased by 3 per cent (€25.9 billion) to €852 billion.
- The NFC sector's stock of financial assets grew by 2 per cent (€12.9 billion) to €656 billion.
- As the quarterly increase in liabilities exceeded that of financial assets, this reduced the sector's net financial wealth[4] by 7 per cent to minus €197 billion.
- In terms of the valuation changes, the NFC's financial assets declined in value by €5.9 billion. The decline in value of financial assets was caused

by the decrease in value of the NFC sector's 'unquoted shares and other equity' assets. In contrast, its financial liabilities experienced an increase in value of €9.8 billion.

- The NFC sector was a net lender, when measured as a four-quarter moving average, for the fourth consecutive quarter during Q3 2011. This means that on average the NFC sector was a net lender providing financing to the other sectors in the economy.
- The NFC sector received almost 55 per cent of total funding, from 'shares and other equity' and 30% of funding from 'loans', both showing similar proportions of total funding as in recent quarters.

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

[2]Household's net worth is calculated as the sum of household's housing and financial assets minus their liabilities. The CBI estimate housing assets based on the size and value of housing stock. Data on the value of housing is obtained from the CSOs 'Residential Property Price Index' (RPPI). As the RPPI is higher than the previously used PTSB/ESRI house price indices, this has led to an upward revision in the CBI's estimates of housing assets, for all years since 2005.

[3] 'Insurance technical reserves' include life assurance policies and pension funds.

[4] 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.

New Research on the SME Lending Market

16 February 2012

The Central Bank of Ireland today publishes new economic research (Economic Letters Vol. 2012, No. 3) entitled 'The Irish SME Lending Market – A Snapshot, December 2010'. The research provides a detailed overview of the shares and performance of loans across sectors of activity and loan size brackets. The work will be presented publicly at the Central Bank conference 'The Irish SME Lending Market: Descriptions, Analysis, Prescriptions' on March 2.

The data used in the analysis come from a large sample of SME loans collected for the March 2011 Financial Measures Programme Report and used in stress testing the Irish banking system. The loan data can be divided into three categories of performance: Performing; Watchlist or Past Due; Default or Impaired.

The key findings of the research are as follows:

- At end-2010, the largest sectors in terms of the Irish financial institutions' SME exposure were Wholesale & Retail (20%), Financial (16%), Hotels & Restaurants (15%) and Agriculture (15%).
- Of these large sectors, loans to the Hotels & Restaurants and Financial sectors were of much larger value on average.
- In total, 70% of SME loans were performing at end-2010, with 18% categorised as Watchlist or Past Due and 12% Impaired.
- The sector with the largest share of performing loans was Agriculture at 81%.
- Of the large-exposure sectors, Hotels & Restaurants had the lowest share of performing loans at 49%. Other sectors with low share included Construction (65%), Financial (65%), Manufacturing (66%), Professional & Real Estate (69%) and Wholesale & Retail (69%).
- In analysing the share of performing loans across the distribution of loan value, it was found that the lowest shares of performing loans were among the largest loans, with a share of performing loans below 50% in the top 10% of loans.
- Among the smallest 75% of loans by value, the share of performing loans hovers between 70 and 85%, with the share falling as loans get larger thereafter.
- By sector, it is shown that most sectors follow the above pattern whereby amongst the largest value loans, the share of performing loans falls below 60 and even 50%.
- Two sectors stand out in this regard: in the Hotels & Restaurants sector, the share of performing loans in the top 20% of loans by value is below 30%; in the construction sector the figure is similar.

Notes for Editors

The Central Bank of Ireland will host a conference entitled 'The Irish SME Lending Market: Descriptions, Analysis, Prescriptions' on Friday 2nd March 2012 at the Radisson Blu Hotel, Golden Lane, Dublin 8 from 9am to 5.30pm.

The conference will combine work by Central Bank of Ireland researchers on the Irish SME lending market with research from international experts in the area.

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

Latest Quarterly Mortgage Arrears Data Show 9.2% of Mortgage Accounts in Arrears of over 90 days, up from 8.1% at the End of September 2011

17 February 2012

The Central Bank today publishes the latest data on mortgage arrears, restructures and repossessions for the period ended December 2011. The figures show that 9.2% of private residential mortgage accounts are in arrears of over 90 days.[1]

Director of Consumer Protection, Bernard Sheridan, emphasised the importance of consumers struggling with mortgage repayments, or those who fear they will fall into arrears, to make contact with their lender as early as possible. He said: 'It is important that borrowers cooperate fully with their lenders in order to be able to avail of the protections under the Central Bank's revised Code of Conduct on Mortgage Arrears.'

At the end of December 2011, there are 768,917 private residential mortgage accounts held in the Republic of Ireland to a value of €113.5 billion. The stock of accounts continues to decline from the 794,609 that were held at the end of September 2009 when this data series commenced. Of the current stock of accounts, 70,911, or 9.2%, are in arrears of more than 90 days. This compares with 62,970 accounts (8.1% of total) that were in arrears of greater than 90 days at the end of September 2011.

Restructuring Arrangements

The data also show there was a total stock of 74,379 accounts that were categorised as restructured at the end of December 2011. This is a 6.7% increase from the stock of 69,735 restructures at the end of September 2011. Of this total, 36,797 are not in arrears and are performing as per the restructured arrangement. The balance of restructured accounts (37,582) has arrears of varying categories (arrears of both less than and greater than 90 days). Therefore, 107,708[2] accounts are either in arrears of over 90 days or have been restructured and are performing as at the end of December 2011. Arrangements whereby at least the interest only portion of the mortgage is being met account for just over half of all restructure types (51%)[3].

The fourth quarter 2011 of the data series is also the first reporting period which includes data on accounts that have been restructured under the voluntary forbearance arrangement: Deferred Interest Scheme (DIS).

Repossessions

During the quarter ended December 2011, legal proceedings were issued to enforce the debt/security on a mortgage in 95 cases comprising arrears totalling €13.9 million built up on loans equating to €37.8 million. 187 court proceedings were concluded in this quarter, of which the Courts granted orders for possession/sale in 109 cases.

133 properties were taken into possession by lenders during the quarter, of which 50 were repossessed on foot of Court Orders and the balance following voluntary surrender or abandonment. The total number of properties taken into possession this quarter represents a drop of 18% (from 162 properties) compared with quarter three 2011. 118 properties were disposed of in the quarter, meaning lenders held 895 properties at the end of December 2011.

During 2011, the Central Bank published a Consumer Guide on the new mortgage arrears code and Frequently Asked Questions.

Note for Editors

This is the first reporting period that includes data on accounts restructured under a Deferred Interest Scheme (DIS). The Expert Group on Mortgage Arrears and Personal Debt's final report published in November 2010 (Cooney Report) included in their recommendations that lenders offer a DIS arrangement to borrowers struggling with their mortgage repayments. The DIS should enable borrowers who can pay at least 66% of their mortgage interest (but less than the full interest) to defer payment of the unpaid interest for up to 5 years. When the accumulated amount in the deferred interest account is equal to a total of 18 months interest, or when the borrower has participated in the DIS for up to 5 years, the mortgage may be deemed to be unsustainable. The DIS is a voluntary offering from lenders, but a majority of the market have implemented or are in the process of implementing a DIS or equivalent scheme.

Figures on arrears and repossessions were first published by the Central Bank for the quarter ending September 2009. Restructures data were first published for the quarter ending December 2010.

[1] Please refer to the updated description of the nature of the arrears figures in the Explanatory Notes.

[2] Sum of 70,911 plus 36,797

[3] Interest only (24,811) and Reduced Payment paying greater than Interest Only (13,222)

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

Central Bank and Bruegel Announce Joint Fellowship

17 February 2012

The Central Bank of Ireland today announced a joint fellowship with Bruegel, the Brussels-based economics think tank engaged in policy research, analysis and discussion.

Bruegel is looking for two experienced researchers for a period of two to three months to contribute to its research and output. The terms of the fellowship include a monthly living allowance as well as an honorarium of €5,000.

Interested researchers from academia, think tanks and policy institutions, as well as practitioners from policy and business institutions are invited to submit a short abstract describing the research they would pursue. The research should be in one of the areas of Bruegel's research interest.

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

Central Bank Issues Warning on Unauthorised Investment firms

20 February 2012

The Central Bank of Ireland is today warning members of the public and shareholders in Irish companies about the risks of dealing with unauthorised investment firms.

It is a criminal offence for an investment firm to operate in Ireland unless it has an authorisation from the Central Bank and clients who deal with unauthorised investment firms have no recourse to the Investor Compensation Scheme.

Should members of the public receive unsolicited contact from any firm which offers services or advice in relation to the purchase or sale of shares in another company, they should check the regulatory status of such firms with the Central Bank. 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. The Central Bank regularly publishes warning notices on unauthorised investment firms.

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

Central Bank Data on Financial Vehicle Corporations Q4 2011

23 February 2012

The Central Bank today publishes Q4 2011 data on financial vehicle corporations (FVCs) resident in Ireland. The data follows on from the launch of the new data series in July 2011[1]. The information contains detailed quarterly financial vehicle balance sheet data, with the greatest level of detail collected relating to holdings of securitised loans which have been originated by euro area MFIs. The data are compiled from asset and liability information that is provided to the Central Bank on a vehicle-by-vehicle basis.

The data for Q4 2011 show that total assets reported by FVCs resident in Ireland continued to decline, falling to €491.9 billion (Chart 1). This was driven by large net outflows of securitised loans and securities other than shares of €14.6 billion and €4.9 billion, respectively. These outflows were slightly offset by overall positive revaluations of €1.8 billion in Q4 2011. The fall in Irish FVC assets over the period did not follow the euro area trend, where total euro area assets increased by €67 billion, which was mainly driven by large inflows of €62 billion into securitised loans originated by euro area MFIs. Ireland's share of total euro area assets continued to decline since the start of the year, from 24.1 per cent in Q1 2011 to 21.7 per cent in Q4 2011.

The main developments during Q4 2011 were:

- The largest component in the fall in Irish resident FVC assets during Q4 2011 was a net outflow of €14.6 billion in securitised loans, which brought the outstanding amount down to €229.2 billion from €243.1 billion in the previous quarter. This included an outflow in securitised loans originated by non-euro area residents of €2.6 billion, but the decline in securitised loans was mainly driven by a large outflow of €12.3 billion in loans originated by euro area MFIs.
- Securities other than shares had a negative outflow of €4.9 billion during the quarter with non-euro area residents accounting for €4.1 billion of this fall.
- Shares and other equity also continued its downward trend for the year, with negative transactions of minus €1.7 billion in Q4 2011, with €1.6 billion of this attributable to shares and other equity issued by euro area FVCs.
- On the liabilities side, the main funding source for Irish resident FVCs is the issuance of debt securities, with the overall amount outstanding decreasing to €370.2 billion in Q4 2011 from €388 billion in the previous quarter. This was due to a net outflow of €19.8 billion in debt securities issued over two years maturity. The annual growth rate of total debt securities continued to fall and was minus 17.3 per cent in Q4 2011, compared to minus 11.2 per cent in the previous quarter.

Notes to Editors

These data were collected under the requirements of Regulation (EC) No. 24/2009 concerning statistics on the assets and liabilities of financial vehicle corporations engaged in securitisation transactions (ECB/2008/30), which was passed on 19 December 2008, obliging financial vehicle corporations to report quarterly balance sheets. Reporting is obligatory for all financial vehicle corporations resident in Ireland.

'Financial vehicle corporations' (FVCs) are undertakings which are constituted pursuant to National or Community Law and whose principal activity meets both of the following criteria:

- to carry out securitisation transactions which are insulated from the risk of bankruptcy or any other default of the originator;
- to issue securities, securitisation fund units, other debt instruments and/or financial derivatives, and/or to legally or economically own assets underlying the issue of securities, securitisation fund units, other debt instruments and/or financial derivatives that are offered for sale to the public or sold on the basis of private placements.

'Securitisation' refers to a transaction or scheme whereby: (i) an asset or pool of assets is transferred to an entity that is separate from the originator and is created for or serves the purpose of the securitisation; and/or (ii) the credit risk of an asset or pool of assets, or part thereof, is transferred to the investors in the securities, securitisation fund units, other debt instruments and/or financial derivatives issued by an entity that is separate from the originator and is created for or serves the purpose of the securitisation.

[1] These data were first introduced in the article 'Meeting the Statistical Challenges of Financial Innovation: Introducing New Data on Securitisation' published in Quarterly Bulletin No. 3, 2011.

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

Central Bank Appoints Director of Economics

24 February 2012

Lars Frisell has been appointed as Director of Economics and Chief Economist at the Central Bank of Ireland. He will take up his new position on 1 June 2012.

He joins the Central Bank from the Swedish Financial Supervisory Authority - Finansinspektionen - where he has held the position of Chief Economist since 2009. In that role he was responsible for establishing a new economics department, leading the authority's policy work and macro-prudential analysis, and supporting operational departments in supervisory activities. Prior to this, he held a number of roles at the Swedish Central Bank – the Riksbank – including that of Deputy Head of the Financial Stability Department and Head of the Macroprudential and Financial Markets Division. He has also worked in research roles at the Riksbank, European Central Bank and Wissenschaftszentrum Berlin für Sozialforschung.

He is a member of the Basel Committee on Banking Supervision, where he has taken an active role around the shaping of Basel III; and he is a member of the Advisory and Technical Committee of the European Systemic Risk Board.

A native of Sweden, Lars holds a PhD in Economics from the Stockholm School of Economics, an M.Sc in Mathematical Methods from Northwestern University, Illinois, an M.Sc in Business and Economics from the Stockholm School of Economics and a Major in International Business from HEC de Paris.

Welcoming the appointment, Patrick Honohan, Governor of the Central Bank of Ireland said, "Lars will bring a wealth of knowledge and insight to his new role in the Central Bank. He has a wide range of experience in economic policy and financial stability and is a key appointment for the Central Bank at this time."

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) February 2012

24 February 2012

External communication

Change in the ECB’s publications policy

On 16 February 2012 the Governing Council decided to further reduce the large-scale printing of the ECB’s Annual Report from 2013 onwards. The ECB will stop providing hard copies unless readers actively register to continue their subscription. This statutory publication will remain available online, both in PDF-format in 21 official EU languages and, in English, also in e-PUB format.

Market Operations

Acceptance of national frameworks for additional credit claims

Further to its decision of 8 December 2011 to allow the Eurosystem national central banks (NCBs), as a temporary solution, to accept as collateral additional performing credit claims that satisfy specific eligibility criteria, the Governing Council approved on 9 February 2012 the frameworks proposed by the Central Bank of Ireland, Banco de España, Banque de France, Banca d’Italia, Central Bank of Cyprus, Oesterreichische Nationalbank and Banco de Portugal. A related press release was published on the same day on the ECB’s website. More detailed information on these frameworks is or will soon be available on the websites of the ECB and the respective NCBs.

Payment systems and market infrastructure

Implementation of the Eurosystem’s business continuity oversight expectations by systemically important payment systems operating in the euro area

On 27 January 2012 the Governing Council took note of the follow-up report to the “Eurosystem assessment report on the implementation of the business continuity oversight expectations for systemically important payment systems” published on the ECB’s website in September 2010. The Governing Council approved the conclusions of the follow-up assessment that the majority of the recommendations have been addressed by the relevant system operators and that none of the open recommendations is critical for the smooth functioning of the systems concerned.

Advice on legislation

ECB Opinion on pension reforms in the Irish public sector

On 26 January 2012 the Governing Council adopted Opinion CON/2012/6 at the request of the Irish Minister for Public Expenditure and Reform.

ECB Opinion on the minimum reserves regime in Romania

On 10 February 2012 the Governing Council adopted Opinion CON/2012/7 at the request of Banca Naţională a României.

ECB Opinion on the Greek system for monitoring transactions in book-entry securities

On 10 February 2012 the Governing Council adopted Opinion CON/2012/8 at the request of the Greek Ministry of Finance.

ECB Opinion on the management of liquidity in the Treasury accounts at the Banca d'Italia and the selection of counterparties for related operations

On 13 February 2012 the Governing Council adopted Opinion CON/2012/9 at the request of the Italian Ministry for Economy and Finance.

ECB Opinion on a proposal for a directive of the European Parliament and of the Council amending Directive 2004/109/EC on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and Commission Directive 2007/14/EC

On 10 February 2012 the Governing Council adopted Opinion CON/2012/10 at the request of the Council of the European Union. The Opinion will be published shortly in the Official Journal of the European Union and on the ECB's website.

ECB Opinion on the reorganisation of the Spanish financial sector

On 15 February 2012 the Governing Council adopted Opinion CON/2012/11 at the request of the Deputy Minister for Economic Affairs and Competitiveness.

ECB Opinion on Spanish State guarantees

On 20 February 2012 the Governing Council adopted Opinion CON/2012/13 at the request of the Governor of the Banco de España, on behalf of the Spanish State Secretary for Economic Affairs.

Statistics

Update of the ESCB Public commitment on European Statistics

On 2 February 2012 the Governing Council approved an amended version of the "Public commitment on European Statistics by the ESCB" with a view to enhancing its convergence with the European Statistics Code of Practice developed by the European Statistical System Committee. The updated public commitment will be soon available on the ECB's website in all EU languages.

Corporate governance

ECB Recommendation to the Council of the European Union on the external auditors of the Bank of Greece

On 10 February 2012 the Governing Council adopted Recommendation ECB/2012/1 on the external auditors of the Bank of Greece. The Recommendation was published in the Official Journal of the European Union and is available on the ECB's website.

Conference on the Irish SME Lending Market

28 February 2012

The Central Bank of Ireland will host a conference entitled 'The Irish SME Lending Market: Descriptions, Analysis, Prescriptions' on 2 March 2012. The conference will combine work by Central Bank researchers on the Irish SME lending market with research from international experts in the area.

The papers to be presented at the conference are available on the website and the findings can be summarised as follows:

'SMEs in Ireland: Stylized facts from the real economy and credit market' by Martina Lawless, Fergal McCann and Tara McIndoe-Calder

- 64 per cent of private sector workers are employed in indigenous non-exporting enterprises, with 57 per cent in indigenous non-exporting SMEs.
- Gross new lending to non-real estate SMEs Q1 to Q3 2011 was €1.6bn.
- Credit conditions (interest rates, commission and fees, collateral requirements, size of available loan) are all substantially less favourable in Ireland than the euro area average.

'Bank competition through the credit cycle: Implications for SME financing' by Fergal McCann and Tara McIndoe-Calder

- The SME lending market is highly concentrated by international standards and destined to become ever more concentrated at current trends.
- Foreign bank penetration in the market is on a decreasing trend.
- Lessons from the international literature suggest that these conditions are likely to create more difficulties in accessing finance and credit terms and conditions for SMEs.

'The Irish SME lending market – a snapshot, December 2010' by Martina Lawless and Fergal McCann

- 30% of SME loans at December 2010 were either past due, on watch or in default.
- Agriculture was the healthiest sector, with 81% performing loans.
- The riskiest sectors were hotels and restaurants, construction, professional and real estate and manufacturing.

'Credit demand, supply and conditions: a tale of three crises' by Sarah Holton, Martina Lawless and Fergal McCann

- Euro area countries with high private sector debt are likely to suffer low credit demand, low credit supply and unfavourable terms and conditions on SME loans.

- Countries with weak sovereign yields and financial sectors are found to have tough supply-side conditions in the form of loan rejections and terms and conditions.
- A weak real economy is associated with weak credit demand. The real economy does not affect the credit supply side.

'Drivers of default – evidence from a sector-level panel of Irish SME loans' by Martina Lawless and Fergal McCann

- The share of performing loans in Irish financial institutions has gone from as high as 90% to as low as 50% in some sectors between 2008 and 2010.
- Falls in real economic activity are found to pass through to increased SME loan delinquency. Sectors with the largest 'bubble' lending are those with the largest default rates.

'Borrower-level determinants of default in SME loans – the importance of borrower heterogeneity' by Fergal McCann and Tara McIndoe-Calder

- Models the probability of default for firms in different loan size buckets and sectors of activity. Highlights the importance of financial health for the survival of the largest loans.

Notes to Editors

'The Irish SME Lending Market: Descriptions, Analysis, Prescriptions' will take place at the Radisson Blu Hotel, Golden Lane, Dublin 8 from 9.00am to 5.30pm.

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

Central Bank of Ireland Publishes January 2012 Money and Banking Statistics

29 February 2012

The Central Bank of Ireland today published the January 2012 Money and Banking Statistics.

Loans and other credit

- Loans to households continued to decline during January 2012, and were 3.9 per cent lower on a year-to-year basis, following a decline of 3.8 per cent for the year ending December 2011. Lending for house purchase was 2.4 per cent lower on an annual basis in January 2012, while lending for consumption and other purposes declined by 8.2 per cent over the same period.
- Lending to households declined by €690 million during the month of January, based on underlying transactions, following a net monthly flow of minus €65 million in December. Developments in January were largely driven by a decline in loans for consumption purposes of €394 million, while loans for house purchase and loans for other purposes also decreased by €216 million and €80 million, respectively.
- The monthly net flow of loans to households averaged minus €373 million in the three months ending January 2012, which consists of an average net flow of minus €133 million in loans for house purchase, minus €184 million in loans for consumption purposes, and minus €56 million in lending for other purposes.
- Lending to the non-financial corporate (NFC) sector declined by 2.2 per cent in the year ending January 2012, following an annual decline of 1.6 per cent in December 2011.
- On a monthly basis, loans to NFCs decreased by €548 million during January 2012, following a decrease of €665 million in December. The monthly net flow of loans to NFCs averaged minus €391 million in the three months ending January 2012, compared with an average of minus €359 million in the three-month period up to end-December 2011.
- Short-term loans to NFCs with an original maturity of up to one year, which includes the use of overdraft facilities, decreased during the month by €140 million, following a decrease of €528 million in December 2011. Medium-term NFC loans also declined, by €437 million, while long-term loans increased by €28 million.
- On an annual basis, longer-term NFC loans with an original maturity over five years increased by 0.2 per cent in January 2012 – the first annual increase since April 2009. The pace of growth in short-term loans continued to ease, as loans with an original maturity up to one year grew by just 1.6 per cent in the year ending January 2012. Meanwhile

NFC lending between one and five years original maturity declined by 8.1 per cent.

- Credit institutions' holdings of debt and equity securities issued by the Irish private sector decreased by €384 million during the month of January, an annual rate of change in these holdings of minus 7 per cent. This follows a decline of 6.8 per cent for the year ending December 2011. Credit institutions' holdings of OFI debt securities decreased by 7.9 per cent on an annual basis in January 2012.

Deposits and other funding

- Irish resident private-sector deposits were 7 per cent lower on an annual basis at end-January 2012, compared with a decline of 7.3 per cent over the year ending December 2011. Deposits from households were 3 per cent lower on an annual basis in January while deposits from NFCs declined by 9.1 per cent. Deposits from ICPFs and OFIs fell by 12.6 per cent over the same period.
- There was a decrease of €482 million in Irish resident private-sector deposits during the month of January. This largely reflected developments in the NFC sector, where deposits fell by almost €1.1 billion during the month. Household deposits fell by €57 million, while deposits from OFIs and ICPFs increased by €654 million.
- Overnight deposits fell by €1.1 billion during January 2012, and this was reflected across almost all private depositor sectors. Household sector overnight deposits fell by €463 million during the month, while overnight deposits from NFCs and OFIs fell by €454 million and €176 million, respectively. The ICPF sector registered a modest increase of just €14 million in overnight deposits during January.
- For the household and OFI sectors, the reduction in overnight deposits may partly reflect a shift into longer-term deposit products. Household deposits with agreed maturity up to two years increased by €443 million during the month of January, while OFIs and ICPFs also increased their deposits in this category, by €515 million and €370 million, respectively. NFC deposits with agreed maturity up to two years fell by €589 million during the month.
- Private-sector deposits from non-residents increased by just under €2 billion during January 2012, predominantly reflecting developments in the IFSC-based banks. This development included an increase of €582 million in deposits from other euro area private-sector residents during the month, while private-sector deposits from non-euro area residents increased by just under €1.4 billion. Total non-resident private-sector deposits were 6.5 per cent lower on an annual basis at end-January 2012, with deposits from other euro area private-sector entities 4.2 per cent lower, and those from non-euro area residents 8 per cent lower.
- Credit institutions' borrowings from the Central Bank as part of Eurosystem monetary policy operations fell by €13.5 billion in January 2012, due to a decline in IFSC banks' recourse to refinancing operations.

The outstanding stock of borrowings from the Eurosystem by Irish resident credit institutions amounted to €94.9 billion at end-January. Domestic market credit institutions[1] accounted for €71.3 billion of this total outstanding stock, following a decrease of €734 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-January 2012, the outstanding amount of these bonds was €19.9 billion.

[1] Domestic market credit institutions are those who have a significant level of retail business with Irish households and NFCs, and would exclude the more internationally focused banks in the IFSC. A full list of these institutions is available in the Credit, Money and Banking section of the Statistics portal of the Central Bank of Ireland website.

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

Central Bank Announcement - Director of Credit Institutions

2 March 2012

The Central Bank has announced that the Director of Insurance Supervision, Fiona Muldoon, is assuming responsibility for the supervision of Credit Institutions with immediate effect, following Jonathan McMahon's decision to return to the UK at the end of April. Fiona, who returned to Ireland in 2010, joined the Central Bank last August and has 25 years' experience in the financial services industry. She is now taking on responsibility for the supervision of all financial institutions.

Over the coming weeks Jonathan McMahon will continue to chair the Financial Stability Board group on deleveraging which is due to report on 30 March, he will continue to be involved in the work related to the Financial Measures Programme and other discrete projects, in addition to providing assistance to Fiona as she takes on her new responsibilities.

Biography - Fiona Muldoon

Ms Muldoon joined the Central Bank of Ireland in August 2011 in the newly-created role of Director, Insurance Supervision. In that role, she has overall responsibility for the prudential supervision of insurance undertakings in Ireland. This involves monitoring the solvency, risk management and overall compliance with regulatory standards and policy for the approx 300 insurance and reinsurance firms in the State. In her role she reports directly to the Deputy Governor (Financial Regulation), Matthew Elderfield.

Ms Muldoon has 25 years' experience in the financial services industry and worked for 17 of those years in progressively senior financial and general management positions at XL Group in Dublin, London and at group headquarters in Bermuda. When she left XL in 2010 she was Group Treasurer, with responsibility for M&A activity, capital management, rating agencies, FX and liquidity management. On her return to Ireland and prior to joining the Central Bank of Ireland she was briefly Chief Financial Officer of Canada Life Ireland and Canada Life Europe. Prior to joining XL, Ms Muldoon worked at Chase Bank in the then fledgling IFSC. She trained as an Accountant with Touche Ross.

Ms Muldoon has a BA in Philosophy and English from University College Dublin and is a Fellow of the Institute of Chartered Accountants in Ireland. She is married with two children.

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

6 March 2012

The Central Bank of Ireland today published a warning notice on Elliott & Laurence Consultancy Group (USA). The firm is not authorised as an investment firm in Ireland and has 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.

The Central Bank of Ireland today published a warning notice on Elliott & Laurence Consultancy Group (USA). The firm is not authorised as an investment firm in Ireland and has 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, 91 warnings naming 168 firms have been issued.

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

Retail Interest Rate Statistics: January 2012

9 March 2012

The Retail Interest Rate Statistics[1] cover lending to, and deposits from, households and non-financial corporations (NFCs) in the euro area by credit institutions resident in Ireland. Interest rates and business volumes refer to euro-denominated loans and deposits only. Although no distinction is made between Irish residents and residents of other euro area member states, Irish residents accounted for approximately 99 per cent of outstanding household loan and deposit activity and 88 per cent of outstanding NFC loan and deposit activity at end-December 2011.

Interest rates on outstanding amounts cover all loans and deposits outstanding on the last working day of the month. Interest rates on new business volumes cover all new loan and deposit business agreed during the month[2]. For the purpose of the retail interest rate statistics, new business is defined as any new agreement between the customer and the credit institution. This covers all financial contracts that specify, for the first time, the interest rate of the deposit or loan, as well as re-negotiations of existing deposits and loans[3].

Households

Loans to Households

- Interest rates on outstanding loans to households for house purchases reported by Irish resident credit institutions have fallen in recent months, as the ECB cut its main refinancing rate by 25 basis points in November 2011, and again in December. The weighted average interest rate on outstanding mortgage loans with an original maturity over five years (which account for 99 per cent of all outstanding mortgage loans) was 2.98 per cent at end-January 2012, having fallen by 44 basis points since end-September 2011.
- The corresponding rate reported by all credit institutions resident in the euro area was higher, at 3.87 per cent at end-January 2012, having fallen by just 4 basis points since end-September. Developments in average outstanding mortgage interest rates in Ireland have broadly reflected the changes to the ECB main refinancing rate in recent years (Chart 1), due to the high proportion of ‘tracker’ and other variable rate mortgage products.
- Interest rates on outstanding loans to households for consumption and other purposes also fell in recent months, with the weighted average rate on all outstanding loans falling by 22 basis points since end-September 2011, to 6.12 per cent at end-January 2012. The interest rate

on short-term loans for consumption and other purposes with an agreed maturity up to one year, which includes overdrafts and credit card debt, was 8.83 per cent at end-January 2012. The equivalent rate reported by all credit institutions in the euro area was lower, at 8.14 per cent. Meanwhile, the weighted average rate reported by Irish resident credit institutions on longer-term loans with an original maturity over five years was 4.34 per cent at end-January, compared to a rate of 5.28 per cent reported by all euro area credit institutions.

- With regard to new business, interest rates on new loans to households for house purchases fell in the final months of 2011, before rising again slightly in January 2012. The weighted average interest rate on new loans for house purchases with either a floating rate or up to one year initial rate fixation was 3.11 per cent in January. Despite increasing by 13 basis points relative to December 2011, this figure is still 39 basis points below the average rate reported for September 2011. Loans in this instrument category accounted for almost 90 per cent of new mortgage business in the last six months. In the euro area overall, loans with either a floating rate or up to one year initial rate fixation accounted for just over 30 per cent of new mortgage business over the last six months. The equivalent euro area interest rate on these variable and up to one year fixed rate mortgages in January 2012 was 3.50 per cent.
- The weighted average interest rate on new loans to households for non-housing purposes also rose in January 2012. This interest rate on loans for consumption and other purposes was 6.74 per cent in January. New business volumes in this instrument category have been very low for the past year and, as a result, the interest rate series tends to be volatile.

Deposits from Households

- Interest rates on household term deposits have increased over the past year, reflecting efforts by Irish resident credit institutions to secure additional funding by offering attractive rates on longer-term deposit products. This has been particularly evident on household deposits with agreed maturity up to two years, for which the rate of interest averaged 3.57 per cent at end-January 2012, compared to a euro area average of 2.76 per cent. Interest rates on deposits with agreed maturity over two years have also increased, with Irish resident credit institutions reporting a weighted average rate of 2.37 per cent at end-January 2012 – an increase of 65 basis points since end-January 2011.
- With regard to shorter-term deposits which are redeemable at notice, interest rates have declined in recent months, following moderate increases during the first ten months of 2011[4]. At end-January 2012, the weighted average interest rate on deposits redeemable at notice was 2.27 per cent, just 10 basis points higher than the average rate reported twelve months ago. The most recent data on outstanding volumes suggest a compositional shift in household deposit holdings –

moving out of short-term products which are redeemable at notice and into longer term deposits with agreed maturity, reflecting the prevailing rates of interest for both instrument categories.

- In relation to new deposit business, interest rates on new household term deposits fell slightly in January 2012, having increased over the course of 2011, as Irish resident credit institutions competed to attract new business. The weighted average interest rate on new household term deposits was 2.47 per cent in January 2012, compared to an average rate of 1.81 per cent in January 2011.

Non-Financial Corporations (NFCs)

Loans to NFCs

- With regard to outstanding loans to NFCs issued by Irish resident credit institutions, interest rates have fallen slightly in recent months, following an increase of over 80 basis points between end-June 2010 and end-July 2011. The weighted average interest rate on all outstanding NFC loans was 3.59 per cent at end-January 2012. The equivalent rate at euro area level was 3.84 per cent.
- Longer-term loans to NFCs with an original maturity over five years accounted for 46 per cent of all outstanding loans issued to NFCs by Irish resident credit institutions at end-January 2012. At this time the weighted average interest rate on these loans was 3.51 per cent, while the rates on short-term and medium-term loans[5] were higher, at 3.66 per cent and 3.65 per cent, respectively.
- The weighted average interest rate on new loans to NFCs up to an amount of €1 million, which is often used as a proxy for the rate applying to loans to SMEs, was 4.88 per cent in January 2012, compared to a rate of 4.41 per cent reported in January 2011. The equivalent rate reported by euro area credit institutions for January 2012 was 4.36 per cent. For loans over €1 million, the rate reported by Irish resident credit institutions fell in January, to an average rate of 2.88 per cent. The equivalent euro area rate was 2.83 per cent. Given that volumes of new business are very low, month-on-month changes in rates are volatile, and can be unduly influenced by a very small number of new contracts.

Deposits from NFCs

- Interest rates on outstanding NFC term deposits fell slightly in January 2012, having increased throughout 2011. The weighted average interest rate on NFC deposits with agreed maturity up to two years, which accounted for 96 per cent of total NFC term deposits, was 3.22 per cent at end-January 2012, compared to 2.30 per cent at end-January 2011.

The equivalent rate at euro area level at end-January 2012 was 2.09 per cent, having increased by approximately 30 basis points over the past twelve months.

- With regard to new deposit business, the weighted average interest rate on new NFC term deposits was 1.78 per cent in January 2012 – an increase of 36 basis points from January 2011. Over the same period, the equivalent rate at euro area level increased by just under 2 basis points, to 1.33 per cent in January 2012.

[1] Recent data are often provisional and may be subject to revision.

[2] In recent months, new business volumes have been exceptionally low in a number of instrument categories. This can result in volatility in the interest rate series.

[3] Automatic renewals of existing contracts, which occur without any involvement by the customer, are not included in new business.

[4] For the purpose of these statistics, deposits redeemable at notice cover both the household and NFC sectors. At end-December 2011, households accounted for 88 per cent of all outstanding deposits redeemable at notice.

[5] Short-term loans are those with an original maturity up to one year. Medium-term loans have an original maturity of between one and five years.

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

Statistics on Securities Issues of Irish Financial and Non-Financial Firms January 2012

12 March 2012

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-January 2012. Issuances of debt and equity securities provide an alternative source of financing to bank-based funding. The dataset contains information on the volume of bonds and notes issued during January, as well as the market valuation of outstanding equity shares by sector of issuer at end-January. The sectors of the issuers are: banks; other financial intermediaries; Government; non-financial corporates; and insurance companies and pension funds.

- At end-January 2012, the outstanding amount of debt securities issued by Irish financial and non-financial firms, and the Government stood at close to €.02 trillion; this represented a reduction of six per cent compared to the same period in 2011. This comprised €740 billion in Euro denominated securities and €280 billion in non-Euro denominated securities.
- There were ongoing redemptions of long-term debt securities by the banking sector in January reflecting ongoing Balance Sheet corrections.
- Equity securities had an outstanding value of just over €197.4 billion at end-January, mainly comprising equities quoted on stock exchanges; this represented a month-on-month net increase of approximately €4.2 billion (or almost eight per cent).
- The total outstanding amount of equity securities at end-January represents an increase of 13 per cent compared to the same period in 2011.
- The total outstanding value of Government bonds stood at €86.1 billion at end-January.
- The outstanding value of long-term Government bonds remained unchanged at €85.4 billion at end-January (compared to December 2011).
- During this month the NTMA completed a €.53 billion bond swap whereby investors were offered the opportunity of exchanging holdings of the existing 2014 Treasury Bond (with a coupon of 4 per cent) for a new bond (4.5 per cent) maturing in February 2015. This exchange marked the NTMA’s return to the markets for the first time since September 2010; the settlement date for this new bond was 1st February 2012.
- Developments for market-based debt financing for the banking sector comprised net redemptions of €1.2 billion during January; this included the redemption of €2.9 billion in long-term debt securities following the redemption of a similar amount in December.
- Net redemptions in January represent a substantial decrease on the equivalent figure for the banking sector in December 2011 when net

redemptions of €.3 billion across short and long-term debt securities were recorded.

- The outstanding amount of equity securities in the banking sector increased month-on-month to €6.4 billion in January 2012 (up €.2 billion). These changes were generally as a result of positive market valuations.
- The rise in the outstanding amount of equity securities in the banking sector (80 per cent) over the past 12 months made an important contribution to the overall increase in the total outstanding amount of equity securities. This partially reflected the impact of bank recapitalisations in 2011 in addition to ongoing increases in market valuations of the year.
- The other financial intermediary (OFI) sector recorded a total net redemption of approximately €.2 billion in January 2012. Following the issuance of cumulative long-term debt securities of €17.1 billion during November and December 2011, the other financial intermediary sector recorded a net redemption of long-term debt securities of approximately €7 billion in January. 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 total outstanding amount of debt securities fell to €16.3 billion (down one per cent) with long-term debt securities accounting for €64.6 billion (or 94 per cent) of this total.
- The outstanding amount of equity securities in the OFI sector increased month-on-month to €2.2 billion in January 2012 (up €85 million). The changes in this sector were generally as a result of changes in market valuations.
- A rise in the outstanding amount of equity securities in the OFI sector (12 per cent) over the past 12 months also played an important part in the general upward movement in equity securities since early-2011.
- The outstanding amount of debt securities issued by non-financial corporates (NFC), and insurance companies and pension funds was €3 billion and €.4 billion, respectively, at end-January 2011.
- The outstanding amount of equity securities in the NFC (up €2.7 billion) and IC&PF (up €7 million) sectors increased month-on-month to €2.2 billion and €33 million, respectively, in January 2012.
- The changes in these sectors were generally as a result of positive market valuations. However, up to 16 per cent (or € billion) of the increase in the amount outstanding of the non-financial corporates sector reflects a merger of Irish and US-resident multinational pharmaceutical firms and the relocation of the merged entity to Ireland.
- In absolute terms, the increase in the total outstanding amount of equity securities over the 12-month period ending January 2012 was principally driven by the rise in
- The outstanding amount of equity securities of the other financial intermediary sector (12 per cent) and non-financial corporates (nine per cent) since January 2011.

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 Life & Pensions Ireland Limited

Information Release

The Central Bank of Ireland ("the Central Bank") has entered into a Settlement Agreement with effect from 7 March 2012 with Aviva Life & Pensions Ireland Limited, a regulated financial service provider, ("the firm") in relation to breaches of the Consumer Protection Code of 1 August 2006 ("the Code").

These breaches related to the firm's failure, during the period 1 July 2007 to 21 January 2011:

1) to comply with provision 46 of the Code in that the content of the written procedures employed by the firm for the proper handling of complaints did not fully adhere to the minimum requirements set out at provisions 46 (d) and 46 (e);

2) to comply with General Principle 4 of the Code in that the firm did not have and employ effectively the resources and procedures, systems and control checks that were necessary for compliance with the Code.

and, during the period 9 June 2009 to 15 October 2010:

3) to comply with provision 48 of the Code in that the firm did not maintain an up-to-date record of all complaints subject to the complaints procedure;

4) to comply with provision 57 of the Code in that the firm did not have adequate systems and controls in place to ensure compliance with the minimum complaints handling requirements set out in provision 46 (a) to (e) of the Code.

The Central Bank reprimanded the firm and required it to pay a monetary penalty of €245,000.

The Central Bank detected the breaches in January 2011 during a thematic review of the complaints handling procedures in place in insurance undertakings providing products/services to Irish consumers.

The firm's complaints handling policies and procedures did not fully reflect the requirements set out at provision 46 (a) to (e) of the Code. A sample of seventy six of the firm's individual customer complaint files were reviewed. Fifty out of the seventy six files examined were found to contain clear breaches of one or more of the complaints handling provisions of the Code. These breaches included a failure to:

- acknowledge each complaint in writing within 5 business days of the complaint being received;
- provide complainants with the name of one or more individuals appointed by the regulated entity to be the complainant's point of contact in relation to the complaint until the complaint is resolved or cannot be processed any further;

- provide complainants with a regular written update on the progress of the investigation of the complaint at intervals of not greater than 20 business days;
- inform complainants of their right to refer their complaint to the relevant Ombudsman and provide them with the contact details of the Ombudsman; and
- maintain an up-to-date record of complaints in accordance with the Code.

The foregoing breaches demonstrate a failure by the firm to have adequate systems and control checks in place to ensure compliance with the complaints handling requirements of the Code.

The firm undertook immediate measures to rectify the issues that were identified on foot of the thematic review, including the implementation of new systems and procedures and an enhanced training programme in order to prevent reoccurrence.

The penalties imposed in this case reflect the importance the Central Bank places on consumer protection and the obligation of regulated entities to ensure that they comply with the requirements of the Code and have adequate systems and controls in place to ensure compliance with those requirements.

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

- the firm has taken appropriate remedial steps to rectify the breaches, including the implementation of enhanced systems and controls to ensure compliance with the complaints handling requirements of the Code;
- 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:

“Proper complaints handling policies and procedures are fundamental to ensuring the speedy, efficient and fair treatment of consumers who complain about products and services. Incomplete procedures, inadequate systems and controls and not employing effectively resources in the area of complaints handling can jeopardise the level of protection owed to consumers and accordingly undermines the special trust consumers place in financial service providers. The complaint handling provisions and, more generally, the Consumer Protection Code are underpinned by an important statutory objective of the Central Bank, that being consumer protection and the effective regulation of financial services providers. This important objective together with the requirement for adequate systems and controls are identified as target areas in the Enforcement Directorate’s Strategy Document published in 2010 and continue to be Enforcement priorities in 2012. We have publicly highlighted the importance of the complaints handling provisions on numerous occasions since the Code was published in August 2006.

Today's fine reflects the seriousness with which we view breaches of the Code and the importance that we place upon proper complaints handling by firms, including adherence to the complaints handling provisions as set out in the Code.

The existence of an adequate and robust complaints handling process is an integral part of the customer/financial service provider relationship and is a key feature of consumer protection. Adherence to the basic procedural requirements is an important starting point in the complaints process. Firms must ensure that consumers can have confidence from the outset in the way that their complaint will be treated. The first step in this process is ensuring that the complaint is processed in accordance with the manner and timeframes specified in the Code. Failing to comply with the minimum procedural requirements for complaints handling leads to a heightened risk that the qualitative aspects of customer complaints may also be deficient and may prevent management the opportunity to properly assess the root cause of complaints – an important management information tool.

The importance of complaints handling and the complaints process in general is emphasised by the inclusion of a new provision in the revised Consumer Protection Code, effective since 1 January 2012, requiring firms to undertake appropriate analysis of complaint patterns on a regular basis and to escalate this customer complaint analysis to their compliance/risk function and senior management."

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 Health Insurance Ireland Limited

12 March 2012

The Central Bank of Ireland (“the Central Bank”) has entered into a Settlement Agreement with effect from 9 March 2012 with Aviva Health Insurance Ireland Limited, a regulated financial service provider, (“the firm”) in relation to breaches of the Consumer Protection Code of 1 August 2006 (“the Code”).

These breaches related to the firm’s failure, during the period 1 June 2009 to 31 December 2010:

1. to comply with provision 47 of the Code in that the firm did not offer consumers the opportunity to have their verbal complaints treated as a written complaint;
2. to comply with provision 48 of the Code in that the firm did not maintain an up-to-date record of all complaints subject to the complaints procedure;
3. to comply with provision 57 of the Code in that the firm did not have adequate systems and controls in place to ensure compliance with the minimum complaints handling requirements set out in provision 46 (a) to (e) of the Code; and
4. to comply with General Principle 4 of the Code in that the firm did not have and employ effectively the resources and procedures, systems and control checks that were necessary for compliance with the Code.

The Central Bank reprimanded the firm and required it to pay a monetary penalty of €245,000.

The Central Bank detected the breaches in November 2010 during a thematic review of the complaints handling procedures in place in insurance undertakings providing products/services to Irish consumers.

A sample of one hundred and ninety eight of the firm’s individual customer complaint files were reviewed. One hundred and sixty three out of the one hundred and ninety eight files examined were found to contain clear breaches of one or more of the complaints handling provisions of the Code. These breaches included a failure to:

- acknowledge each complaint in writing within 5 business days of the complaint being received;
- provide complainants with the name of one or more individuals appointed by the regulated entity to be the complainant’s point of contact in relation to the complaint until the complaint is resolved or cannot be processed any further;
- provide complainants with a regular written update on the progress of the investigation of the complaint at intervals of not greater than 20 business days;

- inform complainants of their right to refer their complaint to the relevant Ombudsman and provide them with the contact details of the Ombudsman;
- maintain an up-to-date record of complaints in accordance with the Code; and
- offer complainants the opportunity to have their verbal complaints treated as a written complaint.

The foregoing breaches demonstrate a failure by the firm to have adequate systems and controls in place to ensure compliance with the complaints handling requirements of the Code.

The firm undertook immediate measures to rectify the issues that were identified on foot of the thematic review, including the implementation of new systems and procedures and an enhanced training programme in order to prevent reoccurrence.

The penalties imposed in this case reflect the importance the Central Bank places on consumer protection and the obligation of regulated entities to ensure that they comply with the requirements of the Code and have adequate systems and controls in place to ensure compliance with those requirements.

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

- the firm has taken appropriate remedial steps to rectify the breaches, which were not deliberate, including the implementation of enhanced systems and controls to ensure compliance with the complaints handling requirements of the Code.
- 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:

"Proper complaints handling policies and procedures are fundamental to ensuring the speedy, efficient and fair treatment of consumers who complain about products and services. Incomplete procedures, inadequate systems and controls and not employing effectively resources in the area of complaints handling can jeopardise the level of protection owed to consumers and accordingly undermines the special trust consumers place in financial service providers. The complaints handling provisions and, more generally, the Consumer Protection Code are underpinned by an important statutory objective of the Central Bank, that being consumer protection and the effective regulation of financial services providers. This important objective, together with the requirement for adequate systems and controls are identified target areas in the Enforcement Directorate's Strategy Document published in 2010 and continue to be Enforcement priorities in 2012. We have publicly highlighted the importance of the complaints handling provisions of the Code on numerous occasions since the Code was published in August 2006.

Today's fine reflects the seriousness with which we view breaches of the Code and the importance that we place upon proper complaints handling by firms, including adherence to the complaints handling provisions as set out in the Code.

The existence of an adequate and robust complaints handling process is an integral part of the customer/financial service provider relationship and is a key feature of consumer protection. Adherence to the basic procedural requirements is an important starting point in the complaints process. Firms must ensure that consumers can have confidence from the outset in the way that their complaint will be treated. The first step in this process is ensuring that the complaint is processed in accordance with the manner and timeframes specified in the Code. Failing to comply with the minimum procedural requirements for complaints handling leads to a heightened risk that the qualitative aspects of customer complaints may also be deficient and may prevent management the opportunity to properly assess the root cause of complaints – an important management information tool.

The importance of complaints handling and the complaints process in general is emphasised by the inclusion of a new provision in the revised Consumer Protection Code, effective since 1 January 2012, requiring firms to undertake appropriate analysis of complaint patterns on a regular basis and to escalate this customer complaint analysis to their compliance/risk function and senior management."

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

14 March 2012

The Central Bank of Ireland today published a warning notice on Global World Mergers & Acquisitions (Hong Kong) and Monarch Wealth Consultants (Japan). 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, 92 warnings naming 170 firms have been issued.

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 Merrion Stockbrokers Ltd.

22 March 2012

The Central Bank of Ireland ("the Central Bank") has entered into a Settlement Agreement with effect from 21 March 2012 with Merrion Stockbrokers 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").

The breaches identified are:

1) The firm failed to report a total of 12,020 transactions in financial instruments, which were admitted to trading on a regulated market or on a MTF operated by a market operator, to the Central Bank by close of the following working day following the execution of the transaction, as follows:

- on 14 July 2010, the firm failed to report details of 373 transactions;
- on 14 October 2010, the firm failed to report details of 327 transactions;
- on 23 November 2010, the firm failed to report details of 612 transactions; and
- between 1 November 2007 and 26 August 2011, the firm failed to report details of 10,708 transactions.

2) Between 1 November 2007 and 20 June 2011, the firm failed to report the correct buy/sell indicator in the details of the execution of 45,782 transactions in financial instruments which were admitted to trading on a regulated market or which were admitted to a MTF operated by a market operator.

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 €65,000.

As part of the Central Bank's on-going monitoring of the accuracy and completeness of transaction reporting submitted by firms, the Bank identified that the firm failed to report transactions in financial instruments, which were admitted to trading on a regulated market or a MTF operated by a market operator, on three non-consecutive dates between July and November 2010. This check was performed by the Central Bank to establish whether reporting firms have submitted a file with the financial instruments executed in the previous working day for each day within a specific period.

During the course of a transaction reporting review undertaken by the firm, it identified a further 10,708 non-reported transactions which it brought to the Central Bank's attention.

In May 2011, the Central Bank conducted a themed inspection of the firm in the normal course of supervision. On the basis of information obtained during the inspection, it came to light that 6 trades may have been incorrectly reported as sales instead of purchases. The Central Bank raised this issue with the firm. The firm completed a reconciliation and from that identified that it had been reporting the incorrect buy/sell indicator to the Central Bank on client principal trades since 1 November 2007 in breach of Regulation 112 of the MiFID Regulations.

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

The Central Bank is satisfied that the failure to comply with the transaction reporting obligations as set out in 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 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:

- once the breaches were discovered, the firm accepted that the breaches occurred and acted in a swift manner to rectify the situation; 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 fourth settlement with a firm for transaction reporting failures. Firms are reminded that timeliness and accuracy of information submitted to the Central Bank was first identified as a priority area for enforcement action in the Enforcement Strategy published in 2010 and remains within our Enforcement Priorities for 2012.

The Central Bank's ability to monitor the markets for market abuse is key to its ability to fulfil the statutory objective of ensuring the proper and effective regulation of financial service providers and markets. In previous commentary relating to transaction reporting failures, we stated that accurate transaction reporting is essential for enabling the Central Bank to fulfill its role in effectively monitoring the market to detect market abuse and financial crime. Firms must understand that incomplete or inaccurate transaction reporting creates an unacceptable risk to the Central Bank in achieving its statutory objective. Complete and accurate transaction reporting is also key to the Central Bank's role of transmitting transaction reporting data to other relevant competent authorities within the EEA.

Where the actions of a firm undermine the Central Bank's achievement of its statutory objectives, the firm should expect that enforcement action will follow, especially where the breach falls within our stated Enforcement Priorities".

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

Trends in Business Credit and Deposits: Q4 2011

22 March 2012

The Central Bank has published quarterly statistics 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[1].

Summary

- Lending to non-financial, non-property related SMEs by Irish resident credit institutions declined by €386 million over the quarter (1.5 per cent), and €1.7 billion over the year (6.4 per cent), bringing total outstanding amount of lending to SMEs in these sectors at end-2011 to €27.3 billion. This follows an annual decline of 9 per cent at end-September 2011.
- Gross new lending to non-financial, non-property related SMEs, which refers to drawn-down amounts of new facilities, excluding those related to restructure or renegotiation of existing facilities, amounted to €579 million during Q4 2011.
- Credit advanced to all non-financial non-property related enterprises declined by €505 million over the quarter (1.3 per cent), and €3 billion over the year to end-2011 (7.2 per cent), bringing total credit outstanding to non-financial non-property related enterprises to €40.3 billion. This follows annual declines of 9.5 per cent and 9.1 per cent at end-June 2011 and end-September 2011, respectively.
- Credit advanced to property-related enterprises engaged in construction and real estate activities was 0.6 per cent higher over the year, despite a quarterly decrease of €611 million in Q4. Meanwhile, lending to SMEs in these sectors had fallen by 5.5 per cent over 2011 as a whole, which included a decline on a quarterly basis of €431 million in Q4.
- Deposits held by Irish resident private-sector enterprises in credit institutions in Ireland declined by €240 million (0.3 per cent) during Q4 2011, dominated by a fall in deposits from non-bank financial intermediaries. Non-financial enterprise deposits were €36.1 billion at end-2011, following a quarterly increase of €165 million (0.5 per cent). The annual rate of decline in deposits from these enterprises was 5 per cent over 2011.

Credit Advanced to SMEs

- The outstanding amount of credit advanced to Irish SMEs by resident credit institutions was €73.7 billion at end-2011. This was a decline of 1.3 per cent over the quarter and a decline of 3.3 per cent over the year.
- The total outstanding amount of SME credit 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, credit outstanding to SMEs totalled €61.5 billion at end-2011, an underlying decrease of €817 million (1.3 per cent) during the quarter and a decline of €2.9 billion (5.7 per cent) over the year.
- There was €34.2 billion of loans outstanding to SMEs in the property-related sectors of construction and real estate activities at end-2011, equivalent to 55.5 per cent of total credit outstanding to non-financial SMEs. Lending to SMEs in these sectors fell by a combined 5.5 per cent over 2011, a net flow of minus €1.2 billion (i.e. repayments exceeded drawdowns[2] by €1.2 billion).
- Credit to non-property, non-financial SMEs accounted for 67.8 per cent of total credit to non-property, non-financial private-sector enterprises at end-2011, up from 65.4 per cent at end-2010. Lending to these SMEs fell by 6.4 per cent (€1.7 billion) in 2011, with a quarterly decline of 1.5 per cent (€386 million) during Q4 2011. This follows a decline in lending to these SMEs during Q3 2011 of €296 million (1.1 per cent).
- Lending to SMEs increased in three non-financial, non-property related sectors during Q4 2011. These quarterly increases occurred in lending to manufacturing (€7 million), business and administrative services (€22 million) and the human health and social work sectors (€13 million). The largest quarterly decline in value terms was in lending to the agriculture sector (€184 million).
- Despite the net decline in lending to SMEs in the agriculture sector, the sector still accounted for a quarter of gross new lending (i.e. drawdowns of new facilities, excluding restructuring or renegotiations of existing facilities)[3] to non-property, non-financial SMEs during Q4 2011. A total of €579 million was drawn-down relating to new loans to SMEs in the non-property, non-financial sectors during Q4 2011, an increase of approximately €40 million compared with Q3 2011. The wholesale/retail trade sector and the business and administrative services sector also continued to be significant in terms of new SME lending (€110 million and €97 million, respectively). Gross new lending to SMEs in the non-property, non-financial sectors was €2.2 billion in 2011 as a whole, equivalent to 8.5 per cent of the end-2010 outstanding stock of lending to SMEs in these sectors.

Central Bank Data on New Lending to SMEs Compared With Government Targets

Total new lending drawn-down by non-financial SMEs in 2011, as published in Trends in Business Credit and Deposits, was €3.1 billion. This covers business reported by all credit institutions operating in the State. As part of their recapitalisation agreements with the Government, Allied Irish Banks and Bank of Ireland (the pillar banks) committed to providing €3 billion each in SME lending sanctions in 2011. The Credit Review Office (CRO) monitors compliance with these targets and in their most recent report has confirmed that both banks met their 2011 target. The disparity between the lower figure for the entire banking system published by the Central Bank and the much higher figure referenced in the CRO report relates to two issues:

1. The Central Bank figure refers to the drawdown of new facilities, i.e. any increase in the principal amount outstanding relating to a new agreement during the period. The Government target includes the value of both new and restructured or renegotiated facilities. Restructured or renegotiated facilities do not increase the principal amount outstanding owed by the borrower. For example, an SME customer at the beginning of the quarter has a term loan maturing in two years with a principal amount outstanding of €50k. During the quarter the SME customer agrees an extension of the term of the loan to three years, but no increase in the value of the loan amount. This would not appear in the Central Bank new lending figures, as no increase in the principal amount outstanding has been recorded. The restructuring of the loan facility of €50k is, however, included in the Government target. According to the latest CRO report, the majority of the €3 billion target achieved by both pillar banks for 2011 relates to the value of restructured or renegotiated facilities.
2. The Central Bank figure refers to the drawdown of new facilities, i.e. any increase in the principal amount outstanding relating to a new agreement during the period. The Government target includes the value of both new and restructured or renegotiated facilities. Restructured or renegotiated facilities do not increase the principal amount outstanding owed by the borrower. For example, an SME customer at the beginning of the quarter has a term loan maturing with a principal amount outstanding of €50k. During the quarter the SME customer agrees an extension of the term of the loan, but no increase in the value of the loan amount. This would not appear in the Central Bank new lending figures, as no increase in the principal amount outstanding has been recorded. The restructuring of the loan facility of €50k is, however, included in the Government target. According to the latest CRO report, the majority of the €3 billion target achieved by both pillar banks for 2011 relates to the value of restructured or renegotiated facilities.

Other factors, such as the treatment of overdraft or revolving facilities, may also contribute to differences between the SME new lending data published by the Central Bank and the SME lending targets set by Government and monitored by the CRO. The most significant factor in the difference between the two series, however, is the treatment of restructured/renegotiated facilities, followed by the distinction between sanctions and drawn amounts. Measures of new SME lending by credit institutions, whether based on drawn amounts or sanctions, in and of themselves can only contribute to the wider discussion of financing SMEs in a broader context. This would also consider aspects such as overall economic conditions, the restructuring of the domestic banking system, the existing levels of debt on SME balance sheets and the availability of non-bank sources of finance.[4]

Credit Advanced to All Irish Resident Private-Sector Enterprises

- The total amount of credit outstanding to Irish private-sector enterprises on the balance sheet of resident credit institutions was €222.4 billion at end-2011. Approximately 55 per cent of the end-2011 amount was with respect to the financial intermediation sector, which would include holdings of debt securities issued by the NAMA Master SPV[5] and other financial vehicle corporations. Excluding financial intermediation, the total amount of private-sector enterprise credit outstanding was €98.2 billion at end- 2011.
- The annual rate of change in non-financial private-sector enterprise credit was minus 2.6 per cent at end-2011, equivalent to a net annual flow of minus €2.7 billion. Credit advanced to the construction and real estate sectors rose by €368 million over the year, an increase of 0.6 per cent.
- Excluding property-related and financial sectors, credit advanced to Irish private-sector enterprises stood at €40.3 billion at end-2011, a decline of 7.2 per cent (€3 billion) on an annual basis. Credit advanced to the wholesale/retail trade sector continued to have the largest share in the outstanding amount of credit to non-property non-financial enterprises at 23.4 per cent, followed by the hotels and restaurants sector at 19.2 per cent. Credit to these sectors was 3.5 per cent and 2 per cent lower on an annual basis, respectively at end-2011.
- Credit advanced to the manufacturing sector was 1.3 per cent lower on an annual basis at end- 2011, which followed a quarterly increase of €123 million during the final quarter. Quarterly developments in credit to the manufacturing sector as a whole was dominated by a rise of €189 million in credit to enterprises engaged in the manufacture of food, beverage and tobacco products.
- Credit to enterprises in the business and administrative services sector declined by €276 million during Q4 2011, following a fall of €91 million in the previous quarter. On an annual basis, credit advanced to this sector declined by 14.3 per cent in 2011, compared with an annual increase of 15.2 per cent in 2010.
- Credit advanced to the agriculture sector, which accounted for 10.6 per cent of all non-property, non-financial credit to enterprises at end-2011,

was 4.5 per cent lower on an annual basis, following a decline of €201 million over the year. Much of this annual decline was experienced in the final quarter of the year and related to enterprises engaged in the farming of animals, as repayments of credit by these enterprises exceeded new drawdowns by €119 million.

Deposits from Irish Resident Private-Sector Enterprises

- The quarterly net flow of deposits from Irish private-sector enterprises during Q4 2011 was minus €240 million (0.3 per cent). This followed a fall of €4.1 billion during Q3 2011 (5 per cent). The annual decline in deposits from Irish private-sector enterprises was 11.7 per cent in 2011 (€9.6 billion).
- The financial intermediation sector (excluding monetary financial institutions) accounted for the majority of this decline, with deposits from this sector being €7.7 billion (17.1 per cent) lower over the year.
- Excluding financial intermediation, there was an annual decline of private-sector enterprise deposits of 5 per cent (€1.9 billion) over 2011. This annual decline was dominated by developments in the first half of the year, which witnessed net flows of deposits from non-financial enterprises of minus €2.3 billion. Deposits from these enterprises increased in the second half of 2011 by €383 million.

[1] The extensive set of Business Credit and Deposits Statistics tables, along with a detailed set of explanatory notes are available here. Recent data are often provisional and may be subject to revision. A list of credit institutions resident in the Republic of Ireland (i.e. the population covered by these statistics) is available here.

[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] In March 2012 the Central Bank hosted a conference on the SME Lending Market.

[5] 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.

December 2011 Consolidated Banking Statistics: Foreign Claims

23 March 2012

Domestic Banks' Foreign Claims decreased by 7.5 per cent to €143.5 billion at end Q4-2011

The Central Bank of Ireland today publishes updated statistics on the domestic Irish banking system's claims on the rest of the world. These consolidated banking statistics detail the claims of the domestic banks on non-residents, by counterpart country and sector on an ultimate risk basis i.e. according to the country and sector where the ultimate guarantor of the risk resides. This is a similar dataset to the Consolidated Banking Statistics published by the Bank for International Settlements (BIS) but differs in that the Central Bank dataset refers only to the domestic Irish banks[i].

At end-December 2011, the domestic banks had foreign claims of €143.5 billion, which was a decrease of €11.6 billion over the quarter. The decrease was largely due to a decline in claims on the US and UK private sector. Most credit institutions continued to reduce their foreign claims, signalling a continued retrenchment from foreign markets. By far the largest shares of domestic banks' claims are on UK private-sector residents, with private-sector residents of the US also accounting for a significant proportion. Claims on foreign private sectors are predominant, with claims on foreign public sectors being relatively low. In addition to the decline over the quarter, total foreign claims have decreased by 26 per cent since end-December 2010. The annual reduction in total foreign claims is expected, given that the domestic banking groups are downsizing their operations abroad, including the disposal of overseas units. This trend is likely to persist with the continuing downsizing, and retrenchment into the Irish market, by the domestic banks.

Consistent with recent trends, the end-December 2011 data show that local claims[ii], at €104 billion, were far greater than cross-border claims which stood at €40 billion. The reduction in foreign claims since mid-2009 have been driven by a fall in cross-border credit, which was declining at a much faster annual rate than local claims. At end-December 2011, cross-border claims had declined by 37 per cent when compared to December 2010, while local claims had declined by 21 per cent.

The domestic banks' largest foreign claims are on the United Kingdom (including Northern Ireland), with exposures of €106 billion located there at end-December 2011. Foreign claims on the UK decreased by 2.4 per cent over the quarter. Even though claims on the UK public sector are relatively small, they accounted for most of this fall, with a smaller decline related to the private sector. Claims on the Credit Institutions increased in Q4 2011. Chart 2 shows the vast majority of the domestic banks' claims on the UK are on the non-bank private sector, while exposures to the public sector are very small relative to overall foreign exposures.

There was a fall in the outstanding amount of foreign claims on the US in Q4 2011 of around €6.4 billion (Chart 3). This fall was mainly due to continued deleveraging by Irish banks - nevertheless foreign claims by domestic banks on the US remain the second largest, accounting for 6 per cent of total foreign claims (Chart 2). Approximately 75 per cent of US claims are on the private sector. However, in Q4 2011 cross-border claims on the US declined by 56 per cent while local claims declined by 15 per cent. France, Spain and Germany continue to hold a sizeable share of the foreign claims, although they declined by a collective €311 million over the quarter. Claims on Poland increased slightly during Q4 2011, while claims on the Isle of Man recorded a slight decrease over the same period, but still remains the fifth largest in terms of foreign claims at end-December 2011.

In the quarter ending December 2011, 79 per cent of foreign claims were on the non-bank private sector, and while claims on this sector have been falling in general since December 2008, the sector as a proportion of total foreign claims has continued to increase. This is because claims on credit institutions have been falling at a greater rate. Claims on credit institutions have been declining in general since March 2009, and accounted for just 13 per cent of total foreign claims at end-December 2011, down from 25 per cent at end-December 2008.

Credit commitments, derivatives and guarantees are not included in the total claims figures but are detailed separately in the published tables. These series were on a downward trend over the year to June 2011, but recorded an increase over the quarter to September 2011. This increase was maintained for derivatives during Q4 2011 however credit commitments and guarantees declined once again, by €1.2 billion in aggregate. These series have been quite volatile over the period covered by the dataset.

[i] In this case, the Central Bank of Ireland defines domestic banks as those banks guaranteed by the Irish Government under the Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009.

[ii] Local claims refer to lending by non-resident affiliates of domestic banks in the country where the affiliate is located.

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

Decisions Taken by the Governing Council of the ECB (In addition to decisions setting interest rates) March 2012

23 March 2012

External communication

ECB's Annual Report 2011

On 21 March 2012 the Governing Council adopted the ECB's Annual Report 2011, which will be presented to the European Parliament and made available on the ECB's website in 21 official languages of the EU on 25 April 2012.

Market Operations

Eligibility of debt instruments issued or guaranteed by the Greek government in Eurosystem credit operations

On 27 February 2012 the Governing Council adopted Decision ECB/2012/2 repealing Decision ECB/2010/3 on temporary measures relating to the eligibility of marketable debt instruments issued or guaranteed by the Greek Government. According to that Decision, which was announced by a press release published on the ECB's website on 28 February 2012, assets issued or guaranteed by the Greek Government would temporarily lose eligibility for the period between the credit event triggered by the launch of the private sector involvement until the activation of the collateral enhancement scheme agreed by the Heads of State or Government of the euro area on 21 July 2011, and confirmed on 26 October 2011. This activation was acknowledged by the Governing Council in a dedicated press release published on 8 March 2012. On 5 March 2012 the Governing Council adopted Decision ECB/2012/3 on the eligibility of marketable debt instruments issued or fully guaranteed by the Hellenic Republic in the context of the Hellenic Republic's debt exchange offer. Both legal acts are available on the ECB's website.

Acceptance of certain government-guaranteed bank bonds

On 21 March 2012 the Governing Council adopted Decision ECB/2012/4 amending Decision ECB/2011/25 on additional temporary measures relating to Eurosystem refinancing operations and eligibility of collateral. According to that Decision, National Central Banks (NCBs) are not obliged to accept as collateral for Eurosystem credit operations eligible bank bonds guaranteed by a Member State under an EU-IMF financial assistance programme, or by a Member State whose credit assessment does not comply with the Eurosystem's benchmark for establishing its minimum requirement for high credit standards. The Decision is available on the ECB's website.

Payment systems and market infrastructure

Eurosystem Oversight Report for 2011 On 12 March 2012 the Governing Council approved the second Eurosystem Oversight Report. The Report seeks to inform public authorities, market infrastructure providers and their participants, as well as the general public, about the performance of the Eurosystem's oversight function and the Eurosystem's assessment of the safety and soundness of euro area payment, clearing and settlement infrastructures. The report will be published shortly on the ECB's website.

Oversight expectations for links between retail payment systems On 15 March 2012 the Governing Council decided to launch a public consultation on a harmonised single set of oversight expectations for links between retail payment systems, with the goal of ensuring that the establishment of links between retail payment systems is managed in such a way as to control risks for the systems themselves, as well as their participants. A related press release was published today on the ECB's website.

Financial stability and supervision

ECB's 2012 report on "Financial integration in Europe"

On 21 March 2012 the Governing Council took note that the sixth edition of the ECB's report on "Financial integration in Europe" would be published on the ECB's website on 26 April 2012 on the occasion of the joint conference of the ECB and the European Commission on Financial Integration and Stability in Europe. This edition of the report presents the state of financial integration in the euro area and the Eurosystem's activities with regard to financial integration. It also contains special features on topics such as the effects on monetary policy transmission of weaker financial integration or the consequences of reduced financial integration for the Eurosystem's operational framework.

Report on changes in bank financing patterns

On 21 March 2012 the Governing Council took note of the "Report on changes in bank financing patterns" prepared by the Eurosystem/ESCB Financial Stability Committee and approved its transmission to the ESRB and the EBA for information. The report will be published shortly on the ECB's website.

Advice on legislation

ECB Opinion on the recapitalisation and resolution of credit institutions in Greece

On 28 February 2012 the Governing Council adopted Opinion CON/2012/14 at the request of the Greek Ministry of Finance.

ECB Opinion on the protection of the euro against counterfeiting and on the authentication of euro coins in Greece

On 29 February 2012 the Governing Council adopted Opinion CON/2012/15 at the request of the Greek Ministry of Finance.

ECB Opinion on minimum reserve requirements in Latvia

On 29 February 2012 the Governing Council adopted Opinion CON/2012/16 at the request of Latvijas Banka.

ECB Opinion on a proposal for a regulation of the European Parliament and of the Council establishing an exchange, assistance and training programme for the protection of the euro against counterfeiting (the 'Pericles 2020' programme)

On 2 March 2012 the Governing Council adopted Opinion CON/2012/17 at the request of the Council of the European Union.

ECB Opinion on strengthened economic governance of the euro area

On 7 March 2012 the Governing Council adopted Opinion CON/2012/18 at the request of the Council of the European Union.

ECB Opinion on the appointment of the members of the Governing Council of Latvijas Banka

On 15 March 2012 the Governing Council adopted Opinion CON/2012/19 at the request of the Budget and Finance Committee of the Latvian Parliament.

ECB Opinion on Italy's participation in International Monetary Fund programmes in response to the financial crisis

On 16 March 2012 the Governing Council adopted Opinion CON/2012/20 at the request of the Italian Ministry of Economic Affairs and Finance.

Statistics

2011 statistical quality report

On 15 March 2012 the Governing Council approved the annual assessment of the availability and quality of the various kinds of statistics that are compiled by the Eurosystem on the basis of an ECB legal act. It also authorised the publication of the 2011 quality report on euro area balance of payments and international investment position statistics. The report, produced in accordance with the ECB Statistics Quality Framework, has been published on the ECB's website.

Improvements in the quality of government finance statistics

On 21 March 2012 the Governing Council assessed the quality of government finance statistics (GFS) and approved proposals for the further enhancement thereof. In particular, the Governing Council welcomed the progress made so far on the implementation of the Action Plan on Greek statistics, which needs to be fully implemented, and also supported the effective participation of the national central banks in the GFS methodological work at the EU level.

Corporate governance

ECB's Annual Accounts 2011

On 8 March 2012 the Governing Council approved the audited Annual Accounts of the ECB for the financial year 2011. The Annual Accounts, together with a related press release were published on the same day. A management report for the year 2011 will be published in the ECB's Annual Report 2011.

Central Bank Plans to Strengthen the Protection of Client Assets

23 March 2012

The Central Bank of Ireland has today outlined its plan to strengthen the protection of client assets and published the 'Review of the Regulatory Regime for the Safeguarding of Client Assets'. The review contains wide-ranging recommendations, covering internal operational and structural issues for firms, revision of the regulatory framework and amendments to the existing legislation.

In August 2011, the Central Bank commissioned a task force to review the regulatory regime for the safeguarding of client assets. There were a number of drivers for this review: the roll out in 2012 of the Central Bank's new supervisory risk model (PRISM); experience of cases (including Custom House Capital) both in Ireland and elsewhere where client asset issues have arisen; pending changes to European directives and feedback from industry that the current rules for the safeguarding of client assets should be reviewed. On 13 February 2012 the Central Bank published its enforcement priorities for 2012, which included non-compliance with client asset requirements.

Deputy Governor, Matthew Elderfield said 'Good client asset regulation is a critical protection for investors. Where it hasn't been effective – like Custom House Capital and Morrogh Stockbrokers in Ireland or MF Global in the US – the costs can be significant. We have today set out a comprehensive plan to strengthen client asset protection through tougher supervision, better rules, stronger audits, assumption of new powers and more accountability for firms' directors .'

The key recommendations contained in the report include:

- The establishment of a Client Asset Specialist Team (CAST) with cross-sectoral ownership of client asset risk, which will operate a risk-based approach with pre-determined triggers for intervention;
- The introduction of a Pre-approval Control Function (PCF), which is expected to be at director or senior management level with accountability for client asset matters;
- A revised approach to external audit reports which would be replaced by an annual Client Asset Examination (CAE) using the firm's Client Assets Management Plan (CAMP) as the starting point for the review combined with spot checks during the period; and
- Where there are serious problems of a financial nature and/or the interests of clients are at risk, the Central Bank should be given the power to apply to the High Court for the appointment of an administrator or a person with equivalent powers.

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

Trends in Personal Credit and Deposits: Q4 2011

26 March 2012

Summary

- Total credit to Irish private households outstanding on the balance sheet of resident credit institutions was €100 billion at end-December 2011, following a quarterly decline of 0.8 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-December 2011 was €150.1 billion.
- The total deposits held in resident credit institutions by Irish private households was €86.2 billion at end-December 2011, following a quarterly decline of 0.5 per cent and an annual decline of 3.3 per cent.

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

- The annual rate of change in loans for house purchase on-balance sheet was minus 2.4 per cent at end-December 2011, following a quarterly decline of 0.5 per cent. This was the eighth consecutive quarterly decline, bringing the outstanding amount of loans for house purchase on-balance sheet to €80.4 billion. This was a fall of €17.6 billion during Q4 2011 which mainly arose due to securitisation activity[ii]. Total loans for house purchase, including securitised mortgages, peaked in June 2009 and have declined by 3.2 per cent since then. The outstanding amount of securitised mortgages, which continue to be serviced by resident credit institutions, was €50.2 billion at end-December 2011.
- Floating rate mortgages, which include standard variable rate, tracker rate, and mortgages with a fixed rate up to one year[iii], accounted for 86 per cent of the outstanding amount of loans for house purchase on-balance sheet at end-December 2011. Tracker mortgages by themselves accounted for 49 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 Q4 2011 to 35 per cent, reflecting a net increase of €1,142 million during the quarter.
- Fixed rate mortgages accounted for 14 per cent of the outstanding amount of loans for house purchase on-balance sheet at end-December 2011, following a net decline of €326 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-December 2011. This share has remained unchanged from end-December 2010. Loans for principal dwellings fell during Q4 2011 by €381 million, reflecting underlying declines of €176 million in fixed rate mortgages and €206 million in floating rate mortgages.
- Standard variable mortgages on principal dwellings increased by €946 million during Q4, while tracker mortgages declined by €1.3 billion and mortgages fixed for up to one year increased by €121 million. Floating rate mortgages (of which 42 per cent standard variable, 55 per cent tracker, and 3 per cent up to one year fixed) accounted for 84 per cent of the outstanding amount of loans for principal dwellings at end-December 2011.
- The outstanding amount of on-balance sheet loans for buy-to-let residential properties was €19.6 billion at end-December 2011, accounting for 24 per cent of loans for house purchase. There was a net decline of €101 million in these loans during Q4 2011 (0.4 per cent), reflecting a decline in fixed rate mortgages of €146 million and an increase in floating rate mortgages of €44 million. Floating rate mortgages (of which almost 37 per cent standard variable, 63 per cent tracker, and 0.3 per cent up to one year fixed) accounted for 92 per cent of the outstanding amount of loans for buy-to-let properties at end-December 2011.
- Loans for holiday homes/second homes accounted for 1.4 per cent of on-balance sheet loans for house purchase at end-December 2011. Floating rate mortgages accounted for 91 per cent of the outstanding amount of loans for holiday homes/second homes at end-December (of which almost 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 20 per cent (€19.6 billion) of total on-balance sheet credit advanced to Irish private households by resident credit institutions at end-December 2011.
- Lending in this category fell by 6.5 per cent in the year ending December 2011. This followed annual increases of 3.3 per cent at end-September 2011 and 2.9 per cent at end-June 2011.
- Non-housing related lending to private households peaked in Q1 2009. By end-December 2011 it had declined by 14.5 per cent from that peak.
- Non-housing related lending to private households declined by €413 million during Q4 2011 (2.1 per cent). This largely reflected developments in finance for other purposes, which fell by €313 million, while finance for investment purposes declined by €100 million.

Deposits from Private Households

- The deposits held in resident credit institutions by Irish private households stood at €86.2 billion at end-December 2011. This followed a decline of €390 million (0.5 per cent) during Q4 2011.
- The outstanding amount of personal deposits was 3.3 per cent lower on an annual basis at end-December 2011, compared with annual rates of decline of 5 per cent and 5.7 per cent at end-September and end-June 2011, respectively.
- The net flow of personal deposits in the year ending December 2011 was minus €2.9 billion.

[i] 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.

[ii] This is due to a credit institution derecognising loans from the statistical balance sheet that had been securitised, in line with the methodology applied by the reporting population in general.

[iii] 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.

Settlement Agreement between the Central Bank of Ireland and Hitachi Capital Insurance Europe Limited

28 March 2012

The Central Bank of Ireland ("the Central Bank") has entered into a Settlement Agreement with effect from 27 March 2012 with Hitachi Capital Insurance Europe Limited ("the firm"), a regulated financial services provider, in relation to a breach of section 24(1) of the Insurance Act 1989 (as amended).

The breach relates to a failing by the firm to comply with an undertaking given by the firm to the Central Bank that it would maintain available assets of at least 150% of the total required solvency margin or its minimum guarantee fund of €3.5 million, whichever was the greater. As the solvency margin required to be maintained by the firm was greater than the minimum guarantee fund required, the firm was required to hold available assets to meet its solvency margin of at least €7,650,000.

The firm failed to hold sufficient assets to meet its required solvency margin of at least €7,650,000 from 31 March 2010 to 29 June 2010 inclusive. Throughout the period of non-compliance, the greatest shortfall in available assets amounted to €949,000 and the lowest shortfall in available assets amounted to €620,000.

The Central Bank reprimanded the firm and required it to pay a monetary penalty of €25,000.

The breach was discovered by the firm in early April 2010 and was brought to the Central Bank's attention on 06 April 2010. The actions were not deliberate, and the breach was resolved by the firm's parent making a capital contribution STG £2million.

Notwithstanding that the Central Bank views breaches by firms of undertakings which have been given to the Central Bank as serious, the following mitigating factors have been taken into consideration in deciding the appropriate penalty to impose:

- that there was no loss to policyholders;
- that the firm reported these failures to the Central Bank;
- that the breach is no longer continuing;
- the firm has been closed to new business since July 2009 and is in run-off; 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 of Ireland also issued a general comment from Director of Enforcement, Peter Oakes:

"This is the third settlement with a firm for breaches of solvency requirements in less than two years. The fine imposed on this firm reflects the fact that:

- the firm is no longer writing new business since July 2009 and is in run-off; and
- there was no loss to policyholders as a result.

Failure to comply with undertakings given by a firm is considered very serious by the Central Bank. Failure by firms to comply with the maintenance of prudential capital requirements is regarded by the Central Bank as particularly serious as it puts policyholders at unnecessary risk. Entities which fail to comply with undertakings given to the Central Bank can therefore expect a vigorous application of our enforcement effort.

As stated in our Enforcement Strategy, enforcement action can have a powerful deterrent effect on smaller entities where we do not have a close supervisory relationship. In line with the Central Bank's published risk-approach to supervision and the new framework for the supervision of regulated firms ("PRISM"), enforcement actions should be seen by low impact firms as clear signals of the Central Bank's aim to change behaviours of these firms in a way that improves standards across the industry."

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

Central Bank of Ireland Published February 2012 Money and Banking Statistics

30 March 2012

The Central Bank of Ireland today published the February 2012 Money and Banking Statistics.

Loans and other credit

- Loans to households continued to decline during February 2012, and were 4 per cent lower on a year-to-year basis, following a decline of 3.9 per cent for the year ending January 2012. Lending for house purchase was 2.5 per cent lower on an annual basis in February 2012, while lending for consumption and other purposes declined by 8.4 per cent over the same period.
- Lending to households declined by €355 million during the month of February 2012 following a net monthly flow of minus €691 million in January. Developments in February were largely driven by a decline in loans for house purchase of €224 million, while loans for consumption and other purposes also decreased by €107 million and €23 million, respectively.
- The monthly net flow of loans to households averaged minus €370 million in the three months ending February 2012, which consists of an average net flow of minus €134 million in loans for house purchase, minus €172 million in loans for consumption purposes, and minus €64 million in lending for other purposes.
- Lending to the non-financial corporate (NFC) sector declined by 2.3 per cent in the year ending February 2012, following an annual decline of 2.2 per cent in January 2012.
- On a monthly basis, loans to NFCs decreased by €167 million during February 2012, following a decrease of €548 million in January. The monthly net flow of loans to NFCs averaged minus €460 million in the three months ending February 2012, compared with an average of minus €391 million in the three-month period up to end-January 2012.
- Short-term loans to NFCs with an original maturity of up to one year, which includes the use of overdraft facilities, increased during February by €209 million, following a decrease of €140 million in January. Medium-term and long-term NFC loans declined in February 2012, by €57 million and €320 million, respectively.
- On an annual basis, longer-term NFC loans with an original maturity over five years decreased by 0.4 per cent in February 2012. The pace of growth in short-term loans continued to ease, as loans with an original maturity up to one year grew by just 2.7 per cent in the year ending

February 2012. Meanwhile NFC lending between one and five years original maturity declined by 8.5 per cent.

- Credit institutions' holdings of debt and equity securities issued by the Irish private sector decreased by €173 million during the month of February, an annual rate of change in these holdings of minus 6.5 per cent. This follows a decline of 6.9 per cent for the year ending January 2012. Credit institutions' holdings of debt securities issued by non-bank financial intermediaries (OFIs) decreased by 6.4 per cent on an annual basis in February 2012.

Deposits and other funding

- Irish resident private-sector deposits were 6 per cent lower on an annual basis at end-February 2012, compared with a decline of 7 per cent over the year ending January. Deposits from households were 2.2 per cent lower on an annual basis in February while deposits from NFCs declined by 8 per cent. Deposits from insurance corporations and pension funds (ICPFs) and OFIs fell by 11.3 per cent over the same period.
- There was a decrease of €55 million in Irish resident private-sector deposits during the month of February. This largely reflected developments in the ICPF sector, where deposits fell by almost €148 million during the month. Household and NFC deposits increased by €25 million and €62 million, respectively.
- Overnight deposits fell by €678 million during February 2012. Household sector overnight deposits fell by €312 million during the month, while overnight deposits from NFCs and OFIs fell by €202 million and €280 million, respectively. The ICPF sector registered an increase of €116 million in overnight deposits during February.
- The reduction in overnight deposits may partly reflect a shift into longer-term deposit products. Household deposits with agreed maturity up to two years increased by €325 million during the month of February, while NFCs and OFIs also increased their deposits in this category, by €269 million and €306 million, respectively. ICPF deposits with agreed maturity up to two years fell by €358 million during the month.
- Private-sector deposits from non-residents fell by just under €1 billion during February 2012, predominantly reflecting developments in the IFSC-based banks. This development included a decrease of €1.2 billion in deposits from other euro area private-sector residents during the month, while private-sector deposits from non-euro area residents increased by €262 million. Total non-resident private-sector deposits were 5 per cent lower on an annual basis at end-February 2012, with deposits from other euro area private-sector entities 4.8 per cent lower, and those from the non-euro area private-sector had declined by 5.1 per cent.

- Total deposits from other euro area residents, including deposits from MFIs, general government and the private sector, fell by just under €11 billion during February. This was predominantly driven by a fall of €8.7 billion in deposits from MFIs, which in turn largely reflects inter-affiliate transactions by IFSC-based banks.
- Credit institutions' borrowings from the Central Bank as part of Eurosystem monetary policy operations fell by €7.9 billion in February 2012, due to a decline in IFSC banks' recourse to refinancing operations. The outstanding stock of borrowings from the Eurosystem by Irish resident credit institutions amounted to €87 billion at end-February. Domestic market credit institutions[1] accounted for €71.3 billion of this total outstanding stock, following an increase of €37 million in their recourse to Eurosystem refinancing operations during the month.
- The most recent three-year Eurosystem longer-term refinancing operation was allotted on 29 February 2012 and settled (i.e. funds were credited to participating credit institutions' reserve accounts) on 1 March 2012. Any participation by Irish resident credit institutions in this operation will be reflected in the March 2012 Money and Banking Statistics.
- 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-February 2012, the outstanding amount of these bonds was €12.9 billion.

[1] Domestic market credit institutions are those who have a significant level of retail business with Irish households and NFCs, and would exclude the more internationally focused banks in the IFSC.

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 Alico Life International Limited

2 April 2012

The Central Bank of Ireland ("the Central Bank") has entered into a Settlement Agreement with effect from 29 March 2012 with Alico Life International Limited ("the firm"), a regulated financial services provider, in relation to various breaches of the Insurance Act 1989, as amended ("the Act") and the European Communities (Life Assurance) Framework Regulations 1994, as amended ("the 1994 Regulations").

Reprimand and fine

The Central Bank reprimanded the firm and required it to pay a monetary penalty of €3,200,000.

Breaches

The breaches identified are:

1. the firm failed to enter certain receipts of the life assurance business into the account maintained for the purposes of that business and to ensure that these receipts were carried to and from the life assurance fund in contravention of section 14(1)(a) of the Act ;

2. the firm failed to record correctly certain assets representing its life assurance fund and the liabilities attributable to its life assurance business in its 2007 regulatory return, in contravention of section 14(1)(b) of the Act;

3. certain of the firm’s administrative procedures and internal control mechanisms were not sound or adequate in contravention of regulation 10(3) of the 1994 Regulations; and

4. the firm failed to deposit its annual returns with the Central Bank within six months after the end of its financial year, in respect of its financial year ending 30 November 2007 and 30 November 2008 in contravention of regulation 19(1) of the 1994 Regulations.

Background

The Central Bank's Insurance Division discovered these breaches during an inspection of the firm in July 2009. Following this inspection, an examination into these was conducted by the Central Bank's Enforcement Division with the assistance of the Insurance Division. As a result of information gathered during this examination, the Central Bank became aware of the details of the firm's securities lending activities and their impact.

The firm's securities lending

1. The firm entered into a Securities Lending Agency Agreement on 9 February 2007 whereby through an investment agent it loaned securities held within the firm's portfolio to various borrowers.

2. Prior to entering into the Securities Lending Agency Agreement and in breach of its internal asset management policy, the firm failed to seek the approval of its investment committee.

3. From April 2007 to 24 July 2009, the agent on behalf of the firm, loaned securities representing approximately €500 million of the life assurance fund assets supporting unit linked policies. This represented approximately a quarter of those assets in each of the years 2007 and 2008.

4. The Board of the firm was unaware of these investments until 23 April 2008 by which time significant unrealised losses on securities lending had already accrued.

Securities lending receipts

5. The borrowers paid the firm a lending fee for use of the loaned securities and also provided collateral as security for the loan of those securities.

6. Receipts generated by the loan of these securities were not attributed to the firm's life assurance business fund.

Losses arising from securities lending

7. Approximately €138 million of collateral provided by borrowers was invested by the firm's agent in mortgage backed securities. This decision was made without having regard to certain aspects of the firm's investment policy.

8. The firm sustained losses of approximately €42 million in respect of these investments.

9. As a result of these losses, the firm received non-refundable capital contributions from its parent totalling approximately €50 million.

10. Without the capital contributions from its parent, the firm would have been in breach of its solvency margin requirements in 2008.

Penalty Decision Factors

The taking of this case and the penalty imposed reflect the seriousness with which the Central Bank views any breaches of the legislative provisions which are designed to ensure the protection of life assurance policyholders.

In this instance, the firm infringed a key regulatory requirement that receipts of the life assurance business must be entered into the life assurance fund.

This case also evidences serious inadequacies in the firm's systems and controls in that it failed to ensure that investment decisions were made and monitored in accordance with the firm's Investment Policy.

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

- having realised significant losses, the firm obtained a capital injection from its parent which avoided policyholder loss;
- the Board of the firm decided to exit the Securities Lending Agency Agreement upon becoming aware of it in April 2008;
- the firm has implemented a variety of new internal controls in order to improve governance; and
- the new management of the firm co-operated during the process and settled 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 key principle of life assurance regulation is that policyholder assets are adequately safeguarded. It is for this reason that there are strict rules in place to ensure that policyholder assets are clearly identifiable from other assets of a life assurance company.

The Central Bank would remind firms that if they intend to engage in securities lending they must be careful to ensure that there is sufficient consideration of the risks involved and the impact of these on policyholders.

Furthermore, firms are obliged to have adequate systems and controls in place surrounding the investment of assets representing the life assurance fund.

Two of the Central Bank's Enforcement Priorities for 2012 are to pursue enforcement actions in respect of systems and controls failings and breaches of prudential requirements. The Central Bank has previously stated that where serious breaches of these regulatory requirements occur, regulated entities and their management can expect vigorous investigation and follow-up by the Central Bank.

Where the actions of a firm undermine the Central Bank's achievement of its statutory objectives, the firm should expect that enforcement action will follow, especially where the breach falls within our stated Enforcement Priorities."

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

Central Bank of Ireland Issues Warning on Four Investment Firms

3 April 2012

The Central Bank of Ireland today published a warning notice on Walton Johnson & Co Corporate Services (USA), Davidson Capital Partners (USA), Quadrant Mergers & Acquisitions (Japan) & Pratt International KPO, LLC (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, 93 warnings naming 174 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 Quarterly Bulletin 2 2012

5 April 2012

The Central Bank of Ireland today published Quarterly Bulletin 2 2012.

Comment

The external environment has shown signs of limited improvement over the last two months. There have been declines in sovereign bond spreads within the euro area, although with some exceptions. There are also indications that the growth slowdown in the second half of last year in the euro area has not gathered pace. In addition, data from the US signal the possibility that growth may be slightly stronger there than previously expected, though still far from robust. Policy measures have played some role in bringing about this greater stability, most notably measures by the ECB to provide longer term liquidity, along with further progress in enhancing European economic governance. Overall, however, while the international environment is somewhat calmer, the momentum needs to be maintained behind European policy initiatives in order to underpin this improved climate.

The latest domestic data suggests that, for last year, as a whole there was an increase of 0.7 per cent in GDP, alongside a fall of 2.5 per cent in GNP. The latter may reflect a partly technical correction from unexpectedly strong GNP data in 2010. The underlying narrative behind the data has not changed, however, with the positive impulse to growth coming exclusively from the external side and being largely offset by a continuing drag on demand from domestic sources. The external slowdown in the latter part of last year did impact on the performance of exports, although perhaps not by quite as much as might have been expected. Taken together, the international backdrop, combined with the most recent data on the domestic economy, suggest broadly unchanged growth projections from those published in the last Bulletin. As a result, the volume of GDP is expected to increase by 0.5 per cent this year, although GNP may decline further, perhaps by up to 0.7 per cent. This is likely to be followed by a pick-up in growth in GDP and GNP to 2.1 and 1 per cent, respectively, in 2013.

Progress continues to be made on the major policy issues. Banks are following deleveraging plans as part of the adjustment process. Private sector deposit flows for domestic banks have been broadly stable for some time now and the dependence of the domestic banking sector on central bank funding has tended to decline, although it remains at a high level. Banks are also making other adjustments to take account of the reduced size of the sector compared with the pre-crisis levels. Despite the high levels of intervention in the banking sector and this on-going adjustment process, the sector has not yet reached a new equilibrium. This will take some further time to achieve as the effects of the deflation of the property bubble on the sector fully unfold. In the meantime, it is important to ensure that an adequate flow of credit to households and the SME sector is provided, while banks continue to work through the legacy of the boom. Policy makers have, of course, taken steps to try to ensure this through the establishment of lending targets and the Credit Review Office, as well as the announcement of partial loan guarantees.

Fiscal developments remain broadly on track. Growth seems set to be lower than estimated at Budget time but the monthly Exchequer Returns have to date remained broadly in line with the projected profile. Despite the likely slower pace of activity, there are a number of reasons why the Budget targets for 2012 remain within reach. First, the nominal value of output is not projected to be that much lower than previously projected as price increases have been stronger than expected, partly reflecting the lower exchange rate. Second, the fiscal outturn for last year proved to be better than targeted, so the starting position for this year is also better. Third, the linkages between growth rates and the fiscal outturn are always subject to considerable uncertainty. As a result, no overall adjustment to the scale of the fiscal measures announced in the Budget seems to be required at this time, although continued monitoring of the situation is necessary, especially in light of the exposure of the economy to external developments.

Competitiveness improvements are a key factor in returning the economy to steady growth. The performance of the external trading sector is the only likely source of growth in the short term. Indeed, a rebalancing of the economy towards a greater concentration on the productive traded goods sector is, in any case, a necessary development. Competitiveness has improved substantially since the onset of the crisis but, on most measures, it has not yet returned to the levels that obtained in the early part of the last decade. Many of the structural elements that favoured Ireland as a place to do business remain in place, such as a well-educated labour force, a location within the euro area and a favourable tax regime. The levels of relative unit labour costs and prices within the economy overshot sustainable levels during the boom years, however, and these are now adjusting. This is a necessary process to restore growth and, indeed, much of the required adjustment has taken place.

As noted in previous Bulletins, however, further progress is needed and could be assisted by reforms on two fronts, namely improved competition in certain private sector services and maintaining the momentum behind changes in the public sector designed to increase flexibility and efficiency. If the challenges in these areas are met then the prospects are good for a further strengthening of the economy’s competitiveness position and its trading performance. This should gradually encourage greater confidence and a subsequent pick up in the overall pace of growth to levels that will permit unemployment to be steadily reduced and living standards to rise again at modest but sustainable rates.

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

Central Bank Issues Notice on Unauthorised Investment Firms

11 April 2012

The Central Bank of Ireland wishes to advise members of the public and shareholders that should they receive unsolicited contact from any firm which offers them services or advice in relation to the purchase or sale of shares in another company, that they should check the regulatory status of such firms with the Central Bank.

There has been a 100% increase in the amount of queries/complaints received by the Central Bank from members of the public who have been contacted by overseas unauthorised investment firms (commonly called 'boiler rooms') and offered the opportunity to purchase shares in another company or to sell existing shares they have in another company; usually for an upfront fee. The rate of return offered for the sale or purchase of shares by these boiler room firms is usually very high, relative to the initial investment made.

It is a criminal offence for an investment firm to operate in Ireland unless it has an authorisation from the Central Bank and clients who deal with unauthorised investment firms have no recourse to 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.

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

Statistics on Securities Issues of Irish Financial and Non-Financial Firms: February 2012

13 April 2012

The Central Bank of Ireland today re-launched its statistics on market-based financing activities of financial and non-financial firms incorporated in Ireland at end-February 2012. A number of important enhancements have been incorporated. These include the publication of detailed information on the remaining maturities of bonds across all sectors alongside growth rates and indices in addition to the incorporation of further data on Securities Holdings Statistics.

Market-based financing activities, the issuances of bonds and equity shares, provide an alternative source of financing to bank-based funding. The dataset contains information on the volume of bonds and notes issued during February, as well as the market valuation of outstanding equity shares by sector of issuer at end-February. The sectors of the issuers are: banks; other financial intermediaries; Government; non-financial corporates; and insurance companies and pension funds.

Overview:

- At end-February 2012, the outstanding amount of debt securities issued by Irish financial and non-financial firms, and the Government stood at close to €1.01 trillion; representing a year-on-year five per cent reduction. Net redemptions of bonds continued across all sectors in February 2012 for the second consecutive month. The single largest quantum of these redemptions occurred in the banking sector where there were ongoing redemptions of both short- and long-term debt securities reflecting ongoing balance sheet corrections.
- Equity shares outstanding had a value of almost €207.5 billion at end-February, representing a year-on-year net increase of approximately €30.5 billion (or 17 per cent).
- The equity value of Irish firms increased at a significantly faster rate than the ISEQ over the past 18 months. The equity index (shown in Graph 3 below) includes a number of companies whose headquarters are in Ireland. These companies are included in Ireland's securities issues statistics but not quoted on the Irish Stock Exchange.

Government Debt Issuance:

- The outstanding value of long-term Government bonds remained unchanged at €85.4 billion at end-February[1]. However, this represents a year-on-year reduction of more than 5 per cent when compared with February 2011 (€90 billion); this follows the redemption of a Government bond in November 2011.
- The NTMA completed a €3.53 billion bond swap in January 2012; this exchange marked the NTMA's return to the markets for the first time since September 2010.
- €19.9 billion (or 23 per cent) of this long-term debt will fall due in less than 3 years.

Government Debt Holdings:

- At end-February 2012, resident holders accounted for approximately 23 per cent of all long-term Irish Government bonds, compared to 17 per cent in February 2011.
- The banking sector accounted for 85 per cent of all resident holdings in February 2012 (or €16.9 billion).

Banking Sector:

- Market-based debt financing for the banking sector continued to contract during February. Developments include cumulative net redemptions of €11.6 billion during the month.
- These net redemptions in February 2012 show a very different picture to developments in the banking sector in February 2011 when net issuance of €200 million across both short- and long-term debt securities was recorded.
- Approximately €42.7 billion (or 43 per cent) of the total debt securities issued by Irish banks will fall due within the next 12 months.
- The rise in the outstanding amount of equity securities in the banking sector (108 per cent) over the past 12 months made an important contribution to the overall increase in the total outstanding amount of equity securities. This partially reflected the impact of bank recapitalisations in 2011 in addition to increases in market valuations and new equity issuance.

Other Financial Intermediaries:

- The other financial intermediary (OFI) sector[2] recorded total net redemptions of approximately €2.6 billion in February 2012. This represents a steep decrease on the corresponding net redemption of the previous month (€8.2 billion).

- The total outstanding amount of debt securities fell to €813.7 billion with long-term debt securities accounting for €761.2 billion (or 94 per cent) of this total.
- Approximately €91.4 billion (or 11 per cent) of the total debt securities issued by the OFI sector will fall due within the next 12 months.
- A rise in the outstanding amount of equity securities in the OFI sector (10 per cent) over the past 12 months also played an important part in the general upward movement in quoted equity securities since early-2010.

Non-Financial Corporates and Insurance & Pension Funds:

- The outstanding amount of debt securities issued by non-financial corporates (NFC), and insurance companies and pension funds remained broadly unchanged at €3 billion and €2.3 billion, respectively, at end-February 2012.
- Approximately €606 million (or 20 per cent) of total debt securities issued by the NFC sector will fall due within the next 12 months.
- The outstanding amount of equity securities in the NFC (up €6.1 billion) and IC&PF (up €52 million) sectors increased month-on-month to €174.3 billion and €285 million, respectively, in February 2012, as a result of positive market valuations.

Notes:

- The statistics are based on Irish resident sectors issuances of securities where an ISIN[3] code is assigned, irrespective of the market of issue or listing. Non-ISIN information is also provided for monetary financial institutions.
- Debt securities are broken down according to their original maturity and coupon type. Equity securities are classified into quoted and unquoted securities excluding investment fund shares/units.
- The difference between month-on-month equity stocks reflects valuations changes transactions in addition to transactions and other adjustments, for example, reclassifications and corrections.
- The data reflect revisions arising from data quality management activities performed by the Bank, which contribute to improvements in the data.

[1] Refers to debt securities in all currencies

[2] Includes entities involved in securitisation, asset finance companies, and treasuries, etc. (predominantly involved in international financial service activities). Investment and money market fund units/shares are excluded from the equities securities component of the securities issues statistics.

[3] An ISIN code is a unique identifier assigned to an individual security.

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

Retail Interest Rate Statistics: February 2012

13 April 2012

The Retail Interest Rate Statistics cover lending to, and deposits from, households and non-financial corporations (NFCs) in the euro area by credit institutions resident in Ireland. Interest rates and business volumes refer to euro-denominated loans and deposits only. Although no distinction is made between Irish residents and residents of other euro area member states, Irish residents accounted for approximately 99 per cent of outstanding household loan and deposit activity and 88 per cent of outstanding NFC loan and deposit activity at end-December 2011.

Interest rates on outstanding amounts cover all loans and deposits outstanding on the last working day of the month. Interest rates on new business volumes cover all new loan and deposit business agreed during the month[1]. For the purpose of the retail interest rate statistics, new business is defined as any new agreement between the customer and the credit institution. This covers all financial contracts that specify, for the first time, the interest rate of the deposit or loan, as well as re-negotiations of existing deposits and loans[2].

Households

Loans to Households

- Interest rates on outstanding loans to households for house purchases reported by Irish resident credit institutions remained broadly unchanged in February 2012. The weighted average interest rate on outstanding mortgage loans with an original maturity over five years (which accounted for 99 per cent of outstanding mortgage loans) was 2.98 per cent at end-February 2012, unchanged from end-January, but 44 basis points lower than at end-September 2011.
- The corresponding rate reported by all credit institutions resident in the euro area was higher, at 3.86 per cent at end-February 2012, having fallen by just 6 basis points since end-September 2011. Developments in average outstanding mortgage interest rates in Ireland have broadly reflected the changes to the ECB main refinancing rate in recent years (Chart 1), due to the high proportion of 'tracker' and other variable rate mortgage products.
- Interest rates on all outstanding loans to households for consumption and other purposes fell marginally in February to a weighted average rate of 6.09 per cent, from 6.12 per cent at end-January. The interest rate on short-term loans for consumption and other purposes with an agreed maturity up to one year, which includes overdrafts and credit

card debt, was 8.86 per cent at end-February 2012. The equivalent rate reported by all credit institutions in the euro area was lower, at 8.1 per cent. Meanwhile, the weighted average rate reported by Irish resident credit institutions on longer-term loans with an original maturity over five years was 4.24 per cent at end-February, compared to a rate of 5.28 per cent reported by all euro area credit institutions.

- With regard to new business, interest rates on new loans to households for house purchases fell marginally in February 2012. The weighted average interest rate on new loans for house purchases with either a floating rate or up to one year initial rate fixation was 3.09 per cent, compared to 3.11 per cent in January. Loans in this instrument category accounted for almost 90 per cent of new mortgage business in the last six months. In the euro area overall, loans with either a floating rate or up to one year initial rate fixation accounted for just over 30 per cent of new mortgage business over the last six months. The equivalent euro area interest rate on variable rate and up to one year fixed rate mortgages in February 2012 was 3.44 per cent.
- The weighted average interest rate on new loans to households for non-housing purposes increased in February 2012 to 7.73 per cent, from 6.73 per cent in January. New business volumes in this instrument category have been very low for the past year and, as a result, the interest rate series tends to be volatile.

Deposits from Households

- Interest rates on outstanding household term deposits continued to increase in February 2012. The weighted average interest rate on household deposits with agreed maturity up to two years was 3.6 per cent at end-February, compared to 3.57 per cent at end-January. Interest rates on deposits with agreed maturity over two years also increased, from 2.37 per cent at end-January to 2.43 per cent at end-February.
- Interest rates on household term deposits have increased significantly over the past year, reflecting efforts by Irish resident credit institutions to secure additional funding by offering attractive rates on longer-term deposit products. At end-December 2010, the weighted average interest rate reported by Irish resident credit institutions on all term deposits was 2.78 per cent, compared to an average rate of 2.46 per cent reported by all euro area credit institutions. Since then, Irish resident credit institutions have reported an increase of 68 basis points in this rate, to 3.46 per cent, while the current euro area rate is 2.79 per cent, reflecting a more moderate increase of 33 basis points.
- With regard to shorter-term deposits which are redeemable at notice, interest rates have declined in recent months, following moderate increases during the first ten months of 2011[3]. At end-February 2012, the weighted average interest rate on deposits redeemable at notice was 2.08 per cent. This figure represents a decline of 35 basis points

compared to the rate reported at end-October 2011. The most recent data on outstanding volumes suggest a compositional shift in household deposit holdings – moving out of short-term products which are redeemable at notice and into longer-term deposits with agreed maturity, reflecting the prevailing rates of interest for both instrument categories.

- In relation to new deposit business, interest rates on new household term deposits fell slightly in both January and February 2012, having increased over the course of 2011, as Irish resident credit institutions competed to attract new business. The weighted average interest rate on new household term deposits was 2.43 per cent in February 2012, compared to 1.97 per cent in February 2011.

Non-Financial Corporations (NFCs)

Loans to NFCs

- With regard to outstanding loans to NFCs issued by Irish resident credit institutions, interest rates continued to fall during February 2012. The weighted average interest rate on all outstanding NFC loans was 3.49 per cent at end-February. The equivalent rate at euro area level was 3.81 per cent.
- Longer-term loans to NFCs with an original maturity over five years accounted for 46 per cent of all outstanding loans issued to NFCs by Irish resident credit institutions at end-February 2012. The weighted average interest rate on these loans was 3.42 per cent, while the rates on short-term and medium-term loans[4] were higher, at 3.56 per cent and 3.53 per cent, respectively.
- The weighted average interest rate on new loans to NFCs up to an amount of €1 million, which is often used as a proxy for the rate applying to loans to SMEs, was 4.95 per cent in February 2012 – an increase of 8 basis points compared to January, and 46 basis points higher than the rate reported in February 2011. The equivalent rate reported by euro area credit institutions for February 2012 was 4.3 per cent. For loans over €1 million, the rate reported by Irish resident credit institutions fell in February, to an average rate of 2.46 per cent. Given that volumes of new business are very low, month-on-month changes in rates are volatile, and can be unduly influenced by a very small number of new contracts. The equivalent euro area rate was 2.72 per cent.

Deposits from NFCs

- The weighted average interest rates on outstanding NFC term deposits fell slightly in February 2012, to 3.14 per cent from 3.15 per cent at end-

January. The weighted average interest rate on NFC deposits with agreed maturity up to two years, which accounted for 96 per cent of NFC term deposits, was 3.21 per cent at end-February 2012, compared to 2.29 per cent at end-February 2011. The equivalent rate at euro area level at end-February 2012 was 2.08 per cent, having increased by 28 basis points over the past twelve months.

- With regard to new deposit business, the weighted average interest rate on new NFC term deposits was 1.89 per cent in February 2012 – an increase of 48 basis points from February 2011. Over the same period, the equivalent rate for the euro area fell by 7 basis points, to 1.3 per cent in February 2012.

[1] In recent months, new business volumes have been exceptionally low in a number of instrument categories. This can result in volatility in the interest rate series.

[2] Automatic renewals of existing contracts, which occur without any involvement by the customer, are not included in new business.

[3] For the purpose of these statistics, deposits redeemable at notice cover both the household and NFC sectors. At end-December 2011, households accounted for 88 per cent of outstanding deposits redeemable at notice.

[4] Short-term loans are those with an original maturity up to one year. Medium-term loans have an original maturity of between one and five years.

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

New Research on Competition in the SME Lending Market

16 April 2012

The Central Bank of Ireland today publishes new economic research (Economic Letters Vol. 2012, No. 4) entitled 'Bank competition through the credit cycle: Implications for SME financing'. Using data available to the Central Bank, the study analyses competition in the market for lending to all enterprises, in particular for lending to SMEs, and the market share of foreign banks.

The key findings of the research are as follows:

- From 2004-2008, the lending market for all non-property, non-financial ("core") enterprises became steadily more competitive, evidenced by falling concentration levels.
- Since the onset of the crisis, this trend has reversed, with the Irish private sector lending market now being highly concentrated by international standards.
- The SME lending market is much more concentrated than the lending market for all firms, with current trends in SME new lending suggesting that concentration levels are set to rise further.
- The market share of foreign lenders in total "core" lending rose up to 2008, and has been falling since.
- A large international literature on the effects on bank competition on firms' access to credit suggests that in Ireland, rising concentration and falling foreign bank market shares are both likely to contribute to more difficult credit conditions, particularly for SMEs. Policy measures aimed at alleviating credit constraints are particularly welcome in this regard.

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

Statement on the Report of the Commission on Credit Unions

18 April 2012

The Central Bank welcomes the publication of the final report of the Commission on Credit Unions. The report makes clear and wide-ranging recommendations to address the challenges currently facing the credit union sector and to help secure its long term sustainability.

The introduction of a strengthened regulatory framework as recommended in the report, including appropriate fitness and probity and governance standards, is key to helping credit unions develop in a prudent manner to provide the services required by members.

The report also identifies the need for restructuring within the credit union sector. We support the view that a planned restructuring of the sector is important to ensure that both individual credit unions and the sector overall meet members' needs. This process should be completed in as short a timeframe as possible. The report also notes that the Central Bank will need to take action to resolve the very weakest credit unions.

We believe that a strengthened credit union sector can play a key role in the provision of services to members in the restructured financial services landscape. We look forward to working with all stakeholders to bring about the implementation of the recommendations contained in the report.

Private Motor Insurance Statistics 2009

19 April 2012

The Central Bank today published the Private Motor Insurance Statistics for 2009. The primary objective of the report is to examine the level of accident frequency and claim costs, and to assess their impact on premiums paid by different categories of drivers.

The main findings of the report show:

- The downward trend in average premiums was maintained in 2009 with decreases of 2 per cent and 3 per cent reported for comprehensive cover and third party fire and theft cover, respectively. Since 2002 average premiums have fallen by 40 per cent for both comprehensive and third party fire and theft cover.
- Accident frequency in 2009 reduced from 8.6 to 7.8 accidents per 100 policies for comprehensive cover, and from 6.5 to 5.9 for third party fire and theft cover.
- Average cost, measured on a per claim basis, decreased by 25 per cent, to €,218, for comprehensive cover and by 32 per cent, to €,391, for third party fire and theft cover between 2002 and 2009. Recent years' results suggest a levelling off of the downward trend in this statistic.
- Meanwhile, average cost, measured on a per policy basis, for year 1 development, decreased substantially for both cover types in 2009, after recording substantial increases in 2008. In 2009 average cost per policy fell by 11 per cent for comprehensive cover, similarly, third party fire and theft cover declined by 9 per cent. The decreases are explained primarily by general reductions in accident frequency and average claim cost.
- Average surplus per policy, which is an indicator of industry profitability, reported an increase for both types of cover in 2009 based on year 1 development. For comprehensive cover, average surplus per policy increased over the year by 21 per cent to €88. Third party fire and theft cover reported a rise of 5 per cent to €95 per policy.
- The average premium for female and male policyholders in 2009 was €479 and €593, respectively, about a 24 per cent differential.

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

Central Bank Publishes Consultation on the Handling of Inside Information

20 April 2012

The Central Bank of Ireland today issued a public consultation, Consultation Paper 58, on the Handling of Inside Information under the Market Abuse (Directive 2003/6/EC) Regulations 2005.

The consultation paper sets out recommendations in respect of new rules and guidance on the handling of inside information. The Central Bank is seeking comment and opinion on the following areas which will constitute the substantive material of the proposed rules/guidance:

- Determining what information is sufficiently significant for it to be deemed inside information.
- Types of insider list.
- Director and personal account dealing and the definition of persons discharging managerial responsibility.

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) April 2012

20 April 2012

Market Operations

Information requirement to address modifications to asset-backed securities

On 4 April 2012 the Governing Council approved additional information requirements for modifications to asset-backed securities (ABSs). The counterparties, which will be informed by the respective national central banks to which they report, are to inform the Eurosystem: (i) one month beforehand of any planned modification to an ABS that it has submitted as collateral; and (ii) upon submission of an ABS, of any modification made to that ABS in the six months prior to its submission, if the ABS is “own-used”.

Compliance of third party rating tools with the Basel II definition of default

On 4 April 2012 the Governing Council decided that rating tools not compliant with the Basel II definition of default by 31 May 2012 would be excluded as Eurosystem credit assessment framework (ECAF) sources until compliance has been achieved.

Acceptance of Creditreform Rating AG as a rating tool for the purposes of the Eurosystem credit assessment framework

On 4 April 2012 the Governing Council approved the rating tool of Creditreform Rating AG for use within the ECAF. The full list of systems accepted by the Eurosystem for the purposes of the ECAF is available on the ECB’s website.

Payment systems and market infrastructure

Assessment of a new direct link between securities settlement systems in the euro area

On 3 April 2012 the Governing Council approved the direct link between BOGS, the Greek securities settlement system, and Clearstream Banking AG – CASCADE as eligible to be used for the collateralisation of Eurosystem credit operations. A related press release was published on the ECB’s website on 5 April 2012. The updated list of all eligible direct and relayed links is also available on the ECB’s website.

ECB Decision on the establishment of the TARGET2-Securities (T2S) Board

On 29 March 2012 the Governing Council adopted Decision ECB/2012/6 on the establishment of the T2S Board and repealing Decision ECB/2009/6. The

Decision, which includes the T2S Board mandate (Annex I), its Rules of Procedure (Annex II), the Code of Conduct for its members (Annex III) and the procedures and requirements for the selection, appointment and replacement of the T2S Board non central bank members (Annex IV), is available on the ECB's website and will be published shortly in the Official Journal of the European Union.

Eurosystem reaction to the European Commission Green Paper "Towards an integrated European market for card, internet and mobile payments"

On 23 March 2012 the Governing Council approved a draft reply to the European Commission's public consultation "Towards an integrated European market for card, internet and mobile payments" aimed at assessing the present landscape of card, internet and mobile payments in Europe, its shortcomings vis-à-vis the vision of a fully integrated payments market and the barriers leading to these shortcomings. The Eurosystem's contribution was published on 26 March 2012 on the ECB's website.

ECB public consultation on recommendations for the security of internet payments

On 11 April 2012 the Governing Council decided to launch a public consultation, open for two months, on "Recommendations for the security of internet payments" prepared by the European forum on the security of retail payments, established as a form of voluntary cooperation between the relevant overseers and supervisors of payment service providers. The proposed recommendations are foreseen to be implemented by market participants by 1 July 2014. The related documentation, together with a press release, was published on 20 April 2012 on the ECB's website.

Advice on legislation

ECB Opinion on (i) a proposal for a directive on markets in financial instruments repealing Directive 2004/39/EC of the European Parliament and of the Council, (ii) a proposal for a regulation on markets in financial instruments and amending Regulation [EMIR] on OTC derivatives, central counterparties and trade repositories, (iii) a proposal for a directive on criminal sanctions for insider dealing and market manipulation and (iv) a proposal for a regulation on insider dealing and market manipulation (market abuse)

On 22 March 2012 the Governing Council adopted Opinion CON/2012/21 at the request of the Council of the European Union.

ECB Opinion on the Slovenian deposit-guarantee scheme

On 28 March 2012 the Governing Council adopted Opinion CON/2012/22 at the request of Banka Slovenije.

New procedure for the exercise of the ECB's advisory role on draft EU implementing measures

On 29 March 2012 the Governing Council approved a revised procedure, developed in consultation with the European Commission and the newly established European Supervisory Authorities (ESAs), for the exercise of the ECB's advisory role on draft EU implementing measures. The ECB will provide, at least on a quarterly basis, an assessment of financial sector measures proposed by the European Commission or the ESAs. Should the assessment identify the need for a formal consultation in accordance with Article 127(4) or Article 282(5) of the Treaty on the Functioning of the European Union, the ECB may either request to be consulted or adopt its own initiative opinion.

ECB Opinion on Portuguese implementing measures relating to recapitalisation

On 30 March 2012 the Governing Council adopted Opinion CON/2012/23 at the request of the Portuguese Minister of State and for Finance.

ECB Opinion on a proposal for a Regulation amending Regulation (EC) No 1060/2009 on credit rating agencies and a proposal for a Directive amending Directive 2009/65/EC on the coordination of laws, regulations and administrative provisions relating to undertakings of collective investment in transferable securities (UCITS) and Directive 2011/61/EU on Alternative Investment Funds Managers in respect of the excessive reliance on credit ratings

On 2 April 2012 the Governing Council adopted Opinion CON/2012/24 at the request of the Council of the European Union.

ECB Opinion on the recapitalisation and resolution of credit institutions in Greece

On 5 April 2012 the Governing Council adopted Opinion CON/2012/25 at the request of the Greek Ministry of Finance.

ECB Opinion on amendments to the Law on the Magyar Nemzeti Bank

On 5 April 2012 the Governing Council adopted Opinion CON/2012/26 at the request of the Hungarian Ministry for the National Economy.

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

On 5 April 2012 the Governing Council adopted Opinion CON/2012/27 at the request of the Hungarian Ministry for the National Economy.

ECB Opinion on Belgian covered bonds and on measures to facilitate the mobilisation of credit claims

On 5 April 2012 the Governing Council adopted Opinion CON/2012/28 at the request of the Nationale Bank van België/Banque Nationale de Belgique.

ECB Opinion on the State fund for guaranteeing the stability of the state pension system

On 13 April 2012 the Governing Council adopted Opinion CON/2012/29 at the request of the Bulgarian Minister for Finance.

ECB Opinion on the Deposit Guarantee Fund and the bank resolution regime

On 16 April 2012 the Governing Council adopted Opinion CON/2012/30 at the request of the Danish Ministry of Business Affairs and Growth.

ECB Opinion on the Statute of the Bank of Greece

On 16 April 2012, the Governing Council adopted Opinion CON/2012/31 at the request of the Bank of Greece.

Statistics

Confidentiality of statistical information collection

On 16 April 2012 the Governing Council approved the recommendations of the report on the measures adopted to safeguard the confidentiality of the statistical information referred to in Council Regulation (EC) No 2533/98 of 23 November 1998 (as amended by Council Regulation (EC) 951/2009) concerning the collection of statistical information by the ECB. A summary of the report is available on the ECB's website.

Corporate governance

ECB Recommendation to the Council of the European Union on the external auditors of the Banque de France

On 23 March 2012 the Governing Council adopted Recommendation ECB/2012/5 to the Council on the external auditors of the Banque de France. The Recommendation was published in the Official Journal of the European Union and is available on the ECB's website.

Establishment of a Committee on Controlling

On 18 April 2012 the Governing Council decided, with a view to further enhancing the financial controlling support provided during the preparation and conduct of Eurosystem projects, to convert the Eurosystem Committee on Cost Methodology into a Committee on Controlling.

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

Central Bank to Survey Households with Mortgage Debt

25 April

The Central Bank of Ireland today announced that it is to undertake a survey based on a sample of 2,000 Irish households with mortgage debt. The purpose of this survey is to identify any changes in the income and consumption patterns of mortgage holders since they drew down their mortgage.

Governor Patrick Honohan said ‘this survey is needed for the Central Bank to understand better the circumstances faced by indebted Irish households in order to scale and target policies more effectively. It is important to note that all information provided by individual survey participants will be treated confidentially. Information on borrowers will not be shared with financial institutions and the Central Bank will not have access to borrower contact details.’

The results from this research will be used to supplement data collected as part of the Central Bank’s Financial Measures Programme and to conduct economic research on the likely developments in the Irish mortgage market. This survey represents one element of the strategic approach taken on the issue of mortgage arrears, which is a top priority for the Central Bank. The information gathered through this research is vital to understanding the challenges faced by mortgage-holders and will enable the Central Bank to participate in a meaningful way in wider discussions and policy developments on this issue.

Ipsos MRBI will carry out this survey on behalf of the Central Bank. Mortgage holders have been randomly selected and will be contacted by letter in advance of this survey which will be a face-to-face interview with Ipsos MRBI staff in the participant’s own home.

Participation in this survey is completely voluntary. However, borrowers who do participate are assured that the survey will be carried out on a confidential basis and in compliance with data protection requirements. Mortgage providers will not be told which of their customers have agreed to take part in the survey and individual survey responses, including borrower information on their current income position, will not be shared with them. In addition, the Central Bank will not receive any borrower contact details during this process.

Any survey participants who are currently experiencing difficulties with mortgage repayments and who are in the Mortgage Arrears Resolution Process will also be asked about their experience with this process and how they feel they have been treated by their lender.

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 April 2012 Euro Area Bank Lending Survey

25 April 2012

The Central Bank of Ireland has published the Irish responses to the April 2012 Euro Area Bank Lending Survey.

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

Statement on Market Spreads

27 April 2012

The Central Bank has lifted the directions which it imposed on Market Spreads on Thursday 5 April after the firm addressed the matters of concern relating to its regulatory capital and financial accounts.

The Central Bank is satisfied with the steps which the firm has taken to address its legacy financial issues.

New Research on the Current State of the Irish Housing Market

30 April 2012

The Central Bank of Ireland today publishes new economic research (Economic Letters Vol. 2012, No. 5), entitled 'Why are Irish house prices still falling?' The Letter begins by assessing the current state of play in the Irish residential property market. Using over forty years of international house price data, the on-going collapse in Irish house prices is placed in an international context and comparisons drawn with previous housing busts in other OECD members. A suite of models is used to assess whether the fall in house prices is in line with what the prevailing fundamental factors in the Irish economy would suggest. There follows a discussion of the outcome of this analysis before some conclusions are presented.

The key findings of the research include:

- The present Irish house price decline ranks as one of the most severe recorded across the OECD.
- According to a suite of house price models actual Irish house prices have fallen somewhat below the level prevailing market fundamentals would suggest. Our models indicate this fall to be between 12 and 26 per cent as of 2011 Q3.
- The main reasons cited for the continued fall in prices are the related issues of lack of investor confidence, negative future house price expectations and the uncertain macroeconomic outlook. Additionally, the requirement for substantial deleveraging within the Irish financial system and the associated issue of mortgage credit availability are also considered as significant reasons for the decline.

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

Central Bank of Ireland Publishes March 2012 Money and Banking Statistics

30 April 2012

The Central Bank of Ireland today published the March 2012 Money and Banking Statistics[i].

Loans and other credit

- Loans to households continued to decline during March 2012, and were 3.9 per cent lower on a year-to-year basis, following a decline of 4 per cent for the year ending February 2012. Lending for house purchase was 2.4 per cent lower on an annual basis in March 2012, while lending for consumption and other purposes declined by 8 per cent over the same period.
- Lending to households declined by €167 million during the month of March 2012 following a net monthly flow of minus €355 million in February. Developments in March were largely driven by declines in loans for consumption purposes and house purchase of €115 million and €59 million, respectively. Loans for other purposes increased by €7 million over the period.
- The monthly net flow of loans to households averaged minus €404 million in the three months ending March 2012, which consists of an average net flow of minus €166 million in loans for house purchase, minus €206 million in loans for consumption purposes, and minus €32 million in lending for other purposes.
- Lending to the non-financial corporate (NFC) sector declined by 2.2 per cent in the year ending March 2012, following an annual decline of 2.3 per cent in February 2012.
- On a monthly basis, loans to NFCs increased by €34 million during March 2012, following a decrease of €167 million in February. The monthly net flow of loans to NFCs averaged minus €227 million in the three months ending March 2012, compared with an average of minus €460 million in the three-month period up to end-February 2012.
- Short-term loans to NFCs with an original maturity of up to one year, which includes the use of overdraft facilities, increased during March by €135 million, following an increase of €209 million in February. Medium-term NFC loans also increased in March 2012, by €133 million while long-term NFC loans decreased by €235 million.
- On an annual basis, longer-term NFC loans with an original maturity over five years decreased by 1.8 per cent in March 2012. The pace of growth in short-term loans continued to increase moderately, as loans with an original maturity up to one year grew by 3 per cent in the year

ending March 2012. Meanwhile NFC lending between one and five years original maturity declined by 7 per cent.

- Credit institutions' holdings of debt and equity securities issued by the Irish private sector decreased by €415 million during the month of March, an annual rate of change in these holdings of minus 6.8 per cent. This follows a decline of 6.5 per cent for the year ending February 2012. Credit institutions' holdings of debt securities issued by non-bank financial intermediaries (OFIs) decreased by 7.2 per cent on an annual basis in March 2012.

Deposits and other funding

- Irish resident private-sector deposits were 4.5 per cent lower on an annual basis at end-March 2012, compared with a decline of 6.0 per cent over the year ending February. Deposits from households were 0.9 per cent lower on an annual basis in March while deposits from NFCs declined by 5.3 per cent. Deposits from insurance corporations and pension funds (ICPFs) and OFIs fell by 10.2 per cent over the same period.
- There was an increase of €798 million in Irish resident private-sector deposits during the month of March. This largely reflected developments in the household sector, where deposits increased by almost €761 million during the month. The covered institutions accounted for the majority of this increase. NFC and OFI/ICPF deposits also increased by €18 million and €19 million, respectively.
- Private-sector overnight deposits increased by €674 million during March 2012. Household sector overnight deposits increased by €449 million during the month, while overnight deposits in the NFC and OFI sectors increased by €330 million and €26 million, respectively. The ICPF sector registered a decrease of €130 million in overnight deposits during March.
- Household deposits with agreed maturity up to two years increased by €334 million during the month of March, while NFCs and OFIs decreased their deposits in this category, by €269 million and €33 million, respectively. ICPF deposits with agreed maturity up to two years also fell, by €72 million, during the month.
- Private-sector deposits from non-residents fell by €222 million during March 2012, predominantly reflecting developments in the IFSC-based banks. This development included a decrease of €356 million in deposits from other euro area private-sector residents during the month, while private-sector deposits from non-euro area residents increased by €134 million. Total non-resident private-sector deposits were 5.8 per cent lower on an annual basis at end-March 2012, with deposits from other euro area private-sector entities 9.5 per cent lower, and those from the non-euro area private-sector 3.3 per cent lower.
- Total deposits from other euro area residents, including deposits from MFIs, general government and the private sector, fell by just over €10

billion during March. This was predominantly driven by a fall of €9.1 billion in deposits from MFIs, which in turn largely reflects inter-affiliate transactions by IFSC-based banks.

- Credit institutions' borrowings from the Central Bank as part of Eurosystem monetary policy operations increased by €728 million in March 2012. The outstanding stock of borrowings from the Eurosystem by Irish resident credit institutions amounted to €87.7 billion at end-March. Domestic market credit institutions[ii] accounted for €75 billion of this total outstanding stock.
- There was an increase of €3.7 billion in domestic market credit institutions' recourse to Eurosystem refinancing operations during March 2012. This increase reflects Irish credit institutions' participation in the recent three-year Eurosystem longer-term refinancing operation. This was allotted on 29 February 2012 and settled (i.e. funds were credited to participating credit institutions' reserve accounts) on 1 March 2012.
- 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-March 2012, the outstanding amount of these bonds was €12.9 billion.

[i] Money and Banking statistics are compiled in respect of business written out of all within-the-State offices of both credit institutions authorised to carry on banking business in the State under Irish legislation and credit institutions authorised in other Member States of the EU operating in Ireland on a branch basis. Credit institutions authorised in other EU Member States operating in Ireland on a cross-border basis, i.e., with no physical presence in the State, are not included in the statistics. A full list of Credit Institutions resident in the Republic of Ireland is available on the Bank's website. Recent data are often provisional and may be subject to revision. The extensive set of Money and Banking Statistics tables and compilation details, in Money and Banking Explanatory Notes, are also available on the Central Bank of Ireland website.

[ii] Domestic market credit institutions are those who have a significant level of retail business with Irish households and NFCs, and would exclude the more internationally focused banks in the IFSC. A full list of these institutions is available in the Credit, Money and Banking section of the Statistics portal of the Central Bank of Ireland website.

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

Central Bank Clarifies Rules for Lenders on Contacting Consumers in Arrears

1 May 2012

The Central Bank of Ireland has issued a letter to lenders, clarifying the protections and limits on contact with consumers in arrears set out in both the Consumer Protection Code 2012 ('2012 Code') and the Code of Conduct on Mortgage Arrears ('CCMA').

Both Codes are based firmly on the principles of early and proactive engagement by lenders to identify the best possible solution and outcome for consumers in an arrears situation. In addition, there is an overriding requirement for lenders' contact with consumers in arrears to be proportionate and not excessive. In order to further support these requirements, the Central Bank has issued guidance to lenders on its interpretation of a number of the arrears handling provisions of the 2012 Code and the CCMA.

Director of Consumer Protection, Bernard Sheridan said: "the Central Bank believes that early, proactive and positive contact is key to assisting the borrower and lender to discuss and agree the best solution and outcomes to an arrears situation. The Codes seek to protect consumers from undue pressure by emphasising the requirement for all lenders to be proportionate and not excessive in their communications and engagement. While unsolicited personal visits could be particularly difficult for some borrowers, the Central Bank believes that it is in consumers' interests for a lender to be able to visit the home where attempts at contact have failed and before deciding to take legal action.

Our guidance provides further clarification to aid lenders' understanding and to ensure they are meeting the consumer protection requirements of both Codes when making contact with consumers in arrears by telephone and through visits to their home. The guidance has been developed following engagement with the members of the Consumer Advisory Group, and industry and consumer bodies".

The main clarifications issued relate to:

1. Initial contact - 'communication' means a successful communication, i.e. a conversation held with the consumer, a letter sent, a text or an email. This communication is not subject to the limit of three unsolicited contacts. Once this communication is successfully made, any further contacts will count towards the monthly limit on unsolicited communications.

2. Monthly limit on unsolicited communications (3 contacts) – missed calls and engaged numbers do not count towards the monthly limit.

3. Unsolicited personal visits - a lender can make an unsolicited personal visit in relation to arrears, when all other attempts at contact have failed and prior to taking legal action. With regards to how the visit should be conducted:

- The lender must give at least five working days' notice to the consumer in writing.
- The letter and visit do not count towards the limit of three unsolicited contacts per month. The letter should outline the importance of the engagement and the intention of the visit, the consumer protections available and the relevant contact details for the lender (or its Arrears Support Unit in the case of mortgages).
- The lender should offer to meet the consumer in a local branch instead of their home and should be advised that they may wish to consider having a third party present.
- During visits in relation to mortgage arrears under the CCMA, a lender should offer to explain the Standard Financial Statement (SFS), but cannot insist that the consumer completes the form at that time.
- A further personal visit may be agreed with the consumer in compliance with provision 3.38 of the 2012 Code.

While the Central Bank is issuing this guidance on interpreting the Codes, the provisions of the 2012 Code and CCMA remain unchanged. The Central Bank plans to review the CCMA later in the year.

Notes to Editor

The Consumer Protection Code 2012 is imposed under Section 117 of the Central Bank Act, 1989 and came into effect on 1 January 2012. The publication of the revised Code follows two public consultations in October 2010 and June 2011. Contraventions of the Code may be subject to the imposition of administrative sanctions. The Code builds on the protections of the previous version, but includes more detailed requirements in many areas.

The revised Code of Conduct on Mortgage Arrears for all regulated mortgage lenders became effective from 1 January 2011. Lenders were informed of a six month period (ended 30 June 2011), where the Central Bank would be cognisant of issues relating to systems development or other technical difficulties and required staff training.

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

Central Bank of Ireland Issues Warning on Investment Firms

3 May 2012

The Central Bank of Ireland today published a warning notice on Otis KPO, LLC (USA), Hannover & Rothchild Consultancy (USA), Russell Merger Group (Japan), Eldridge Financial (Switzerland) and The Pinnacle Group (UK & Germany). 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, 94 warnings naming 179 firms have been issued.

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

Central Bank of Ireland Issues €20 Coin Celebrating Irish Monastic Art

9 May 2012

The Central Bank of Ireland today launched a limited edition €20 gold proof collector coin celebrating Irish monastic art.

The coin features an evocative portrayal of Irish monastic art and depicts a monk at work transcribing the Gospels and New Testament onto manuscript in the scriptorium. The obverse side of the coin features the harp and the year-date, as is the tradition with Central Bank and circulating coins.

Speaking at the launch, Director of Consumer Protection, Bernard Sheridan, said: ‘I am confident this collector coin will prove very popular, both nationally and internationally, given the high profile of Irish monastic art through the popularity of the Book of Kells. We are delighted to feature the work of renowned Irish artist Tom Ryan on what is one of the smallest gold coins in the world.’

The collector coins, which have an issue limit of 12,000 units, are available to the public from today. Orders can be placed by downloading an order form from the website or by calling 1890 307 607. Alternatively the coin can be purchased directly from the Central Bank of Ireland on Dame Street, Dublin at a cost of €45.

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

Retail Interest Rate Statistics: March 2012

13 April 2012

The Retail Interest Rate Statistics cover lending to, and deposits from, households and non-financial corporations (NFCs) in the euro area by credit institutions resident in Ireland. Interest rates and business volumes refer to euro-denominated loans and deposits only. Although no distinction is made between Irish residents and residents of other euro area member states, Irish residents accounted for approximately 99 per cent of outstanding household loan and deposit activity and 88 per cent of outstanding NFC loan and deposit activity at end-December 2011.

Interest rates on outstanding amounts cover all loans and deposits outstanding on the last working day of the month. Interest rates on new business volumes cover all new loan and deposit business agreed during the month[1]. For the purpose of the retail interest rate statistics, new business is defined as any new agreement between the customer and the credit institution. This covers all financial contracts that specify, for the first time, the interest rate of the deposit or loan, as well as re-negotiations of existing deposits and loans[2].

Households

Loans to Households

- Interest rates on outstanding loans to households for house purchases reported by Irish resident credit institutions remained broadly unchanged in March 2012. The weighted average interest rate on outstanding mortgage loans with an original maturity over five years (which accounted for 99 per cent of outstanding mortgage loans) was 2.98 per cent at end-March 2012, unchanged from end-February, but 44 basis points lower than at end-September 2011.
- The corresponding rate reported by all credit institutions resident in the euro area was higher, at 3.85 per cent at end-March 2012, having fallen by just 6 basis points since end-September 2011. Developments in average outstanding mortgage interest rates in Ireland have broadly reflected the changes to the ECB main refinancing rate in recent years (Chart 1), due to the high proportion of 'tracker' and other variable rate mortgage products.
- Interest rates on outstanding loans to households for consumption and other purposes fell again in March, to a weighted average rate of 5.96 per cent, from 6.09 per cent at end-February. The interest rate on short-term loans for consumption and other purposes with an agreed maturity up to one year, which includes both overdrafts and credit card debt, fell by 13 basis points during the month to 8.73 per cent at end-

March. The equivalent rate reported by all credit institutions in the euro area was lower, at 8.07 per cent. Meanwhile, the weighted average rate reported by Irish resident credit institutions on longer-term loans with an original maturity over five years was 4.12 per cent at end-March, compared to a rate of 5.25 per cent reported by all euro area credit institutions.

- With regard to new business, interest rates on new loans to households for house purchases increased marginally in March 2012. The weighted average interest rate on new loans for house purchases with either a floating rate or up to one year initial rate fixation was 3.15 per cent, compared to 3.09 per cent in February. Loans in this instrument category accounted for almost 90 per cent of new mortgage business in the last six months. In the euro area overall, loans with either a floating rate or up to one year initial rate fixation accounted for just over 30 per cent of new mortgage business over the last six months. The equivalent euro area interest rate on variable rate and up to one year fixed rate mortgages in March 2012 was 3.31 per cent.
- The weighted average interest rate on new loans to households for non-housing purposes fell in March to 5.96 per cent, from 7.75 per cent in February. New business volumes in this instrument category have been very low for the past year, averaging approximately €250 million per month. As a result, the interest rate series tends to be volatile.

Deposits from Households

- Interest rates on outstanding household term deposits increased slightly in March 2012. The weighted average interest rate on household deposits with agreed maturity over two years was 2.47 per cent at end-March, compared to 2.43 per cent at end-February. Interest rates on deposits with agreed maturity up to two years increased by just one basis point, to 3.61 per cent.
- Interest rates on household term deposits have increased significantly over the past year, reflecting efforts by Irish resident credit institutions to secure additional funding by offering attractive rates on longer-term deposit products. At end-December 2010, the weighted average interest rate reported by Irish resident credit institutions on all term deposits was 2.78 per cent, compared to an average rate of 2.46 per cent reported by all euro area credit institutions. Since then, Irish resident credit institutions have reported an increase of 69 basis points in this rate, to 3.47 per cent, while the current euro area rate is 2.81 per cent, reflecting a more moderate increase of 35 basis points.
- With regard to shorter-term deposits which are redeemable at notice, interest rates have declined in recent months, following moderate increases during the first ten months of 2011[3]. At end-March 2012, the weighted average interest rate on deposits redeemable at notice was 1.95 per cent. This figure represents a decline of 48 basis points compared to the rate reported at end-October 2011. The most recent

data on outstanding volumes suggest a compositional shift in household deposit holdings – moving out of short-term products which are redeemable at notice and into longer-term deposits with agreed maturity, reflecting the prevailing rates of interest for both instrument categories.

- In relation to new deposit business, interest rates on new household term deposits fell slightly in March, to a weighted average rate of 2.39 per cent, compared to 2.43 per cent in February.

Non-Financial Corporations (NFCs)

Loans to NFCs

- With regard to outstanding loans to NFCs issued by Irish resident credit institutions, interest rates continued to fall during March 2012. The weighted average interest rate on all outstanding NFC loans was 3.41 per cent at end-March. The equivalent rate at euro area level was 3.74 per cent.
- Longer-term loans to NFCs with an original maturity over five years accounted for 46 per cent of all outstanding loans issued to NFCs by Irish resident credit institutions at end-March 2012. The weighted average interest rate on these loans was 3.3 per cent, while the rates on short-term and medium-term loans[4] were higher, at 3.63 per cent and 3.39 per cent, respectively.
- The weighted average interest rate on new loans to NFCs up to an amount of €1 million, which is often used as a proxy for the rate applying to loans to SMEs, was 4.60 per cent in March 2012, reflecting a fall of 35 basis points compared to February. The equivalent rate reported by euro area credit institutions for March 2012 was 4.24 per cent. For loans over €1 million, the rate reported by Irish resident credit institutions increased in March, to an average rate of 3.64 per cent. Given that volumes of new business are very low, month-on-month changes in rates are volatile, and can be unduly influenced by a very small number of new contracts. The equivalent euro area rate was 2.57 per cent.

Deposits from NFCs

- The weighted average interest rates on outstanding NFC term deposits fell in March 2012, to 3.07 per cent from 3.14 per cent at end-February. The weighted average interest rate on NFC deposits with agreed maturity up to two years, which accounted for 96 per cent of NFC term deposits, was 3.14 per cent at end-March 2012, compared to 2.31 per cent at end-March 2011. The equivalent rate at euro area level at end-

March 2012 was 2 per cent, having increased by just 15 basis points over the past twelve months.

- With regard to new deposit business, the weighted average interest rate on new NFC term deposits was 1.83 per cent in March 2012 – an increase of 42 basis points from March 2011. Over the same period, the equivalent rate for the euro area fell by 11 basis points, to 1.32 per cent in March 2012.

[1] In recent months, new business volumes have been exceptionally low in a number of instrument categories. This can result in volatility in the interest rate series.

[2] Automatic renewals of existing contracts, which occur without any involvement by the customer, are not included in new business.

[3] For the purpose of these statistics, deposits redeemable at notice cover both the household and NFC sectors. At end-December 2011, households accounted for 88 per cent of outstanding deposits redeemable at notice.

[4] Short-term loans are those with an original maturity up to one year. Medium-term loans have an original maturity of between one and five years.

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

Statistics on Securities Issues of Irish Financial and Non-Financial Firms: March 2012

15 May 2012

The Central Bank of Ireland today launched its statistics on market-based financing activities of financial and non-financial firms incorporated in Ireland at end-March 2012. The dataset contains information on the volume of bonds and notes issued during March, as well as the market valuation of outstanding equity shares by sector of issuer at end-March. The sectors of the issuers are: banks; other financial intermediaries; Government; non-financial corporates; and insurance companies and pension funds.

Overview:

- At end-March 2012, the outstanding amount of debt securities issued by Irish financial and non-financial firms, and the Government stood at close to €1.01 trillion; representing a year-on-year 2.9 per cent reduction. This contrasts with an annual growth rate 4.6 per cent across the euro area.
- Equity shares outstanding had a value of almost €208.9 billion at end-March. This includes quoted shares issued by Irish residents (€208.4 billion) which saw a year-on-year net increase of 19.5 per cent (see Figures 2 and 3 below). The equivalent figure for euro area residents fell by 10.4 per cent over the same period.
- Market-based debt financing for the banking sector continued to contract during March with redemptions of €3.1 billion. The annual rate of change of outstanding debt securities fell by 24.8 per cent compared to an annual growth rate of 4.8 per cent for the euro area.

Government Debt Issuance:

- The outstanding value of long-term Government fell to €79.7 billion by end-March[1] following a bond maturing of €5.7 billion at the start of the month.
- This represents a year-on-year reduction of more than 11 per cent when compared with March 2011 (€89.8 billion).
- €17.9 billion (or 23 per cent) of this long-term debt will fall due over the next 3 years.

Holdings of Government Bonds:

- At end-March 2012, resident holders accounted for approximately 24 per cent of all long-term Irish Government bonds, compared to 18 per cent in March 2011, mainly reflecting the recent maturing of a bond (see Figure 1).
- The Irish banking sector accounted for 91 per cent of all resident holdings in March 2012 (or €17.2 billion); this compares to 84 per cent in March 2011. Banks increasing demand for Irish Government bonds reflects the demand for collateral for monetary policy purposes.

Banking Sector:

- Market-based debt financing for the banking sector continued to contract during March. The annual rate of change of outstanding debt securities fell by 24.8 per cent compared to an annual growth rate of 4.8 per cent for the euro area.
- €45 billion, or 46 per cent, of Irish banks’ debt securities will fall due within the next 12 months.
- The outstanding amount of the banking sector’s equity securities has risen by 83 per cent over the past 12 months.

Other Financial Intermediaries:

- The other financial intermediary (OFI) sector[2] recorded total net redemptions of approximately €17.4 billion in March 2012.
- The total outstanding amount of debt securities rose to €831.2 billion – a two per cent increase year-on-year – with long-term debt securities accounting for €777.9 billion (or 94 per cent) of this total. The annual rate of change of outstanding debt securities across the euro area was 1 per cent over the same period.
- Approximately €96.9 billion (or 12 per cent) of the total debt securities issued by the OFI sector will fall due within the next 12 months.
- A rise in the outstanding amount of OFI’s equity securities (6 per cent) over the past 12 months also played an important part in the general upward movement in quoted equity securities since early-2010. These developments are mainly attributable to international holding companies incorporated in Ireland.

Non-Financial Corporates and Insurance & Pension Funds:

- The outstanding amount of debt securities issued by non-financial corporates (NFC), and insurance companies and pension funds remained broadly unchanged at €3 billion and €2.4 billion, respectively, at end-March 2012. The annual growth rate of outstanding debt securities for NFCs resident in the euro area was 8 per cent.
- Approximately €615 million (or 20 per cent) of total debt securities issued by the NFC sector will fall due within the next 12 months.
- The outstanding amount of equity securities in the NFC sector increased by €6.4 billion in March as a result of positive market valuations. This sector also saw a year-on-year rise of 17 per cent since March 2011.

Notes:

- The statistics are based on Irish resident sectors issuances of securities where an ISIN[3] code is assigned, irrespective of the market of issue or listing. Non-ISIN information is also provided for monetary financial institutions.
- Debt securities are broken down according to their original maturity and coupon type. Equity securities are classified into quoted and unquoted securities excluding investment fund shares/units.
- The difference between month-on-month equity stocks reflects valuations changes transactions in addition to transactions and other adjustments, for example, reclassifications and corrections.
- The data reflect revisions arising from data quality management activities performed by the Bank, which contribute to improvements in the data.

[1] Refers to debt securities in all currencies

[2] Includes entities involved in securitisation, asset finance companies, and treasuries, etc. (predominantly involved in international financial service activities). Investment and money market fund units/shares are excluded from the equities securities component of the securities issues statistics.

[3] An ISIN code is a unique identifier assigned to an individual security.

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

Quarterly Financial Accounts for Ireland: Q4 2011

15 May 2012

The Quarterly Financial Accounts, published today[1], present a complete and consistent set of quarterly data for all resident institutional sectors in Ireland. They provide comprehensive information not only on the economic activities of households, non-financial corporations, financial corporates and Government, but also on the interactions between these sectors and the rest of the world. Transactions presented in this commentary are all based on four-quarter moving averages, so as to smooth seasonality in the data.

Household sector results show:

- Households' liabilities declined by 1.1 per cent over the quarter, to reach €184.6 billion or €41,169 per capita. Overall households' liabilities have decreased by 13 per cent or €27.6 billion, since their peak of €212.2 billion at Q4 2008.
- Despite this reduction in household liabilities, the households' debt[2] to disposable income[3] ratio, an indicator of household debt sustainability, continued to increase until Q1 2010. This trend reflected the continued decline in households' disposable income, as measured by a 4-sum moving average, between Q4 2008 and Q3 2011.
- Households' debt to disposable income ratio stood at 207.8 per cent, its lowest level since Q2 2007.
- Household net worth[4] declined further during Q4 2011, reaching €457.2 billion or €101,962 per capita. This represented a decline of 3.4 per cent on the previous quarter.
- During Q4 2011, households continued to be net lenders. This trend partly reflects households' continued investment in financial assets, but, more substantially, a reduction in households' liabilities.

Government sector results show:

- Government liabilities continued to increase during Q4 2011 reaching €173.3 billion, their highest level to date. This represented an increase of €3.2 billion or 2 per cent on the previous quarter. The increase in government liabilities over the period reflected the receipt of further funding from the EU/IMF programme of €7.7 billion.
- The increase in Government liabilities during Q4 2011 was mitigated, to some extent, by a decrease in the value of securities over the period.
- Government net financial wealth declined further during Q4 2011 as the increase in Government assets over the period was outstripped by increased Government liabilities. At Q4 2011, net financial wealth stood at minus €109.7 billion, a decrease of €1 billion or 1 per cent over the quarter.
- Govenment deficit decreased from €3.8 billion in Q3 2011 to €3.5 billion during Q4 2011, when capital injections are excluded. The deficit

including capital transfers declined further during Q4 2011 from €7.7 billion to €5 billion.

Non-Financial Corporate sector results show:

- During Q4 2011, the non-financial corporate (NFC) sector's financial assets increased by 2.8 per cent or €18 billion to reach €671 billion and its liabilities grew by 3.2 per cent or €28 billion to reach €878 billion.
- Over the quarter, overall net financial wealth fell by 5 per cent to minus €207 billion.
- The sector's liabilities grew as their value increased by €34 billion and their transactions increased by €6 billion.
- The NFC sector was a net lender, in the most recent quarter, although at a reduced level of €640 million compared to earlier quarters.

[1] The publication includes results for Q4 2011 for the first time and incorporates revisions to time series from Q1 2004 onwards. It should be noted that the QFA time series is revised at regular intervals to include the latest available raw data vintages.

[2] It should be noted that for the household sector, household liabilities are the same as household debt.

[3] The disposable income figures used are the four-sum moving average in the CSOs 'Quarterly Institutional Sector Accounts: Non-Financial'.

[4] Household's net worth is calculated as the sum of household's housing and financial assets minus their liabilities. The Central Bank of Ireland estimate of housing assets is based on the size and value of housing stock. Data on the value of housing is obtained from the CSOs 'Residential Property Price Index' (RPPI).

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

Decisions Taken by the Governing Council of the ECB (In addition to decisions setting interest rates) May 2012

18 May 2012

Economic, monetary and financial situation

Central bank compliance with prohibitions on monetary financing and privileged access

On 3 May 2012, in accordance with the Treaty on the Functioning of the European Union, which assigns the ECB the task of monitoring EU central banks' compliance with the prohibitions specified in Articles 123 and 124 thereof and the related Regulations, the Governing Council approved the report covering the year 2011. Further information on this matter was also provided in a dedicated section of the ECB's Annual Report 2011, which was published on 25 April 2012.

Market Operations

Loan-level data templates for new classes of asset-backed securities

In line with the Governing Council's decision of December 2010 (see Decisions taken by the Governing Council of the ECB – December 2010) to gradually phase in loan-by-loan reporting requirements for the eligibility of several classes of asset-backed securities in the Eurosystem collateral framework, on 10 May 2012 the Governing Council approved the templates for consumer finance ABS, leasing ABS and auto loan ABSs. This completes the Governing Council decision taken on 29 April 2011 regarding the approval of the templates for commercial mortgage-backed securities and small and medium-sized enterprise transactions. All these templates are available on the ECB's website.

Financial stability and supervision

Financial Stability Review – June 2012

On 15 May 2012 the Governing Council authorised the publication of the "Financial Stability Review – June 2012". It provides a comprehensive assessment of the capacity of the euro area financial system to withstand disruption and examines the main sources of risk to, and the vulnerabilities of, that system. The Review will be published on the ECB's website.

Eurosystem contribution to the European Commission public consultation on bail-in

On 15 May 2012 the Governing Council approved a Eurosystem contribution to the European Commission public consultation on the debt write-down tool (bail-in), which the Commission launched with a view to finalising the text of its forthcoming legislative proposal on bank recovery and resolution. The Eurosystem contribution will be published shortly on the ECB's website.

Advice on legislation

ECB Opinion on a proposal for a regulation of the European Parliament and of the Council on European Venture Capital Funds and on a proposal for a regulation of the European Parliament and of the Council on European Social Entrepreneurship Funds

On 25 April 2012 the Governing Council adopted Opinion CON/2012/32 at the request of the Council of the European Union.

ECB Opinion on limitations on cash payments in Spain

On 8 May 2012 the Governing Council adopted Opinion CON/2012/33 at the request of the Spanish Ministry of Finance and Public Administrations.

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

On 10 May 2012 the Governing Council adopted Opinion CON/2012/34 at the request of the German Ministry of Finance.

ECB Opinion on supervision-related operating costs in Belgium

On 10 May 2012 the Governing Council adopted Opinion CON/2012/35 at the request of the Nationale Bank van België/Banque Nationale de Belgique (NBB), acting on behalf of the Belgian Ministry of Finance.

ECB Opinion on restrictions of settlements in cash in Lithuania

On 10 May 2012 the Governing Council adopted Opinion CON/2012/36 at the request of the Lithuanian Ministry of Finance.

Corporate governance

Chairmanship of the Market Operations Committee (MOC)

On 18 April 2012 the Governing Council appointed Mr Ulrich Bindseil, the ECB's Director General of Market Operations since 1 May 2012, as Chairman of MOC, with effect from the same date. His term as MOC Chairman will expire on 31 August 2013, so as to coincide with the end of the terms of office of all Eurosystem/ESCB committee chairpersons, who were (re)appointed by the Governing Council on 22 July 2010 for a three-year period.

Issuance of banknotes and coins / Banknotes

Amendment of legal framework for manufacturers of euro banknotes

On 26 April 2012 the Governing Council adopted Decision ECB/2012/7 amending Decision ECB/2010/22 on the quality accreditation procedure for manufacturers of euro banknotes and Decision ECB/2012/8 amending Decision ECB/2011/8 on the environmental and health and safety accreditation procedures for the production of euro banknotes. Both Decisions will be published shortly in the Official Journal of the European Union and on the ECB's website.

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

Generation €uro Students Award National Winners Announced

18 May 2012

The Central Bank of Ireland today announced the winning team of the Generation €uro Students Award, a competition for second level students aimed at promoting an awareness of economics and monetary policy decision making.

Transition year students from Marian College in Dublin were announced as the competition's first national winners and will go on to represent Ireland at the European Central Bank in June where they will meet President Mario Draghi and the other winning teams from across the euro area to take part in a series of educational workshops and events. The team captain was James Bohan and he was joined by fellow students Renatas Nedzveckas, Jordan Billane and Matthew O'Connor. Their teacher is Darren Goode.

Teams from Marian College in Dublin and Our Lady's Secondary School in Castleblayney, Co. Monaghan were announced as joint runners-up in the competition.

Over 230 teams nationwide entered the competition which invites students to play 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 rounds beginning last September: an online quiz; a group assignment and the National Final; a presentation by the finalists to a judging panel at the Central Bank chaired by Deputy Governor Stefan Gerlach.

Speaking at the event, Deputy Governor Stefan Gerlach said: 'It is 10 years since euro notes and coins were introduced to Ireland and, in that time, a whole generation of young people has grown up with the single currency. Our finalists today represent that first generation and I congratulate our winners and runners-up on reaching the National Final. The standard of entries received in the inaugural year of the competition was exceptionally high and we would like to thank all teams for taking part.'

The panel members for today's event were Maurice McGuire, Director of Financial Operations; Mark Cassidy, Head of Monetary Policy and International Relations, and Mary O'Sullivan, (outgoing) President of the Business Studies Teachers' Association of Ireland.

Publication of 2011 Annual Report and Financial Regulation Annual Performance Statement

21 May 2012

The Central Bank of Ireland today published its 2011 Annual Report and Annual Performance Statement Financial Regulation 2011 – 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 Five Investment Firms

24 May 2012

The Central Bank of Ireland today published a warning notice on Citilife Financial Limited (Ireland), Murray Merger Group (Japan), Giles & Hochman Consulting (USA), Russell Acquisition Group (Japan) & Ventura Capital Consulting Limited (USA). Citilife Financial Limited is not authorised as an investment firm in Ireland and is claiming or holding itself out to be an investment firm in the State. Murray Merger Group, Giles & Hochman Consulting, Russell Acquisition Group and Ventura Consulting Limited 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, 95 warnings naming 184 firms have been issued.

Notes to editors

It should be noted that Citilife Financial Limited was the name of a firm which was authorised by the Central Bank as a Life Insurance Company up until April 2011 but that no such firm of this name is currently authorised by the Central Bank. There is no connection between the company formerly known as Citilife Financial Limited and the unauthorised company which is the subject of this notice.

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

Residential Mortgage Arrears and Repossessions Statistics: Q1 2012

25 May 2012

Arrears

- At end-March 2012, there were 764,138 private residential mortgage accounts for principal dwellings held in the Republic of Ireland, to a value of €112.7 billion. Of this total stock of accounts, 77,630, or 10.2 per cent, were in arrears of more than 90 days. This compares with 70,945 accounts (9.2 per cent of total) that were in arrears of more than 90 days at end-December 2011.[1]
- The number of accounts that were in arrears of more than 180 days was 59,437 at end-March 2012, equivalent to 7.8 per cent of the total stock. At end-December 2011, the number of accounts in arrears of more than 180 days was 53,120, or 6.9 per cent of the total stock.

Restructuring Arrangements

- There was a total stock of 79,712 principal dwelling mortgage accounts that were categorised as restructured at end-March 2012. This figure reflects an increase of 7.2 per cent from the stock of 74,381 restructured accounts at end-December 2011.
- Of the total stock of restructured mortgages at end-March, 38,658 were not in arrears and were performing as per the restructured arrangement. The remaining restructured accounts (41,054) were in arrears of varying lengths (both less than and greater than 90 days). Therefore, 116,288 accounts were either in arrears of over 90 days or had been restructured and were performing as at the end of March.
- Arrangements whereby at least the interest only portion of the mortgage is being met account for just over half of all restructure types (52.3 per cent).[2]

Legal Proceedings and Repossessions

- During the first quarter of 2012, legal proceedings were issued to enforce the debt/security on a mortgage in 278 cases. Court proceedings concluded in 212 cases during the quarter, and in 111 of these cases the Courts granted orders for possession or sale of the property.

- A total of 170 properties were taken into possession by lenders during the quarter, of which 65 were repossessed on foot of a Court Order, while the remaining 105 were voluntarily surrendered or abandoned. The total number of properties taken into possession in the first quarter of 2012 represents an increase of 27.8 per cent compared with the final quarter of 2011.
- During the quarter 105 properties were disposed of, and as a result, lenders were in possession of 961 properties at end-March 2012.

The mortgage arrears data, along with a set of explanatory notes, are available in the Mortgage Arrears section of the Statistics portal of the Central Bank of Ireland website.

The Central Bank of Ireland has produced a number of consumer guides to assist consumers who are in arrears or facing arrears, including

- Mortgage Arrears - A Consumer Guide to Dealing with your Lender;
- Mortgage Arrears - Frequently Asked Questions; and
- Guide to Completing a Standard Financial Statement.

The above guides, that include information on the protections that are available to consumers in financial difficulty, are available to download from the consumer information section of the Central Bank website.

[1] The figures published here represent the total stock of mortgage accounts in arrears of more than 90 days, as reported to the Central Bank of Ireland by mortgage lenders. They include mortgages that have been restructured and are still in arrears of more than 90 days, as well as mortgages in arrears of more than 90 days that have not been restructured.

[2] Interest Only (27,798) and Reduced Payment paying greater than Interest Only (13,854).

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

Central Bank Inspection Shows Corporate Governance in Investment & Stockbroking Firms has Room for Improvement

25 May 2012

The Central Bank of Ireland has issued a letter to investment and stockbroking firms with recommendations arising from a series of themed inspections to review and evaluate current corporate governance practices in investment and stockbroking firms regulated under the Markets in Financial Instruments Directive (MiFID).

The themed inspections assessed firms' approaches to corporate governance, their compliance with the relevant MiFID regulations and identified best practice in the industry. MiFID sets out a number of high-level requirements for the corporate governance arrangements of investment firms. A sample of eleven firms was selected for on-site inspection.

The majority of firms inspected were found to be cognisant of industry developments in relation to corporate governance and a number of firms were observed to have implemented best practice in this area. However, concerns were also identified with a number of the firms inspected demonstrating deficient and, in some cases, inadequate corporate governance arrangements.

Deputy Head of Investment Services Providers Supervision, Patricia Dunne said: 'Having analysed the findings from the Thematic Inspection Series, it is apparent that while many firms have adopted some of the principles of good corporate governance there are still areas which would benefit from further development. The recommendations highlight principles that MiFID firms should consider.'

The nine recommendations from the themed inspection are:

- The appointment of independent non-executive directors has become an industry best practice in recent years. MiFID firms without an independent non-executive should challenge themselves to review their board arrangements in this regard. The outcome of this review should be documented.
- Non-executive directors are not independent simply by virtue of not being involved in the day-to-day management of the business. Therefore, firms must give appropriate consideration to determining if a director is independent.
- The role of the Chairman and CEO should be separate and where possible an independent non-executive director should be appointed Chairman.
- Decision making authority but not ultimate responsibility can be assigned to a board sub-committee. Where board sub-committees are established there should be appropriate terms of reference and reporting provisions established.
- Corporate governance structures should be documented clearly and include at a minimum the role and responsibility of the board.

- All fundamental board reporting should be in writing and should be sufficiently comprehensive so as to inform an independent reviewer. Board minutes should be sufficiently detailed to reflect active discussions and participation of attendees.
- Detailed job descriptions should be in place for all staff including board members.
- Firms should ensure that their organisational charts are current, up to date, reflective of reporting lines and consistent with actual practices within the firm.
- Firms should carry out an annual review of board performance and corporate governance arrangements.

The Central Bank considers the recommendations identified to be core to effective governance practices. All investment and stockbroking firms have been advised to review their current arrangements to ensure that they have considered the appropriateness of the recommendations outlined.

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

Central Bank Publishes Consultation Paper on Proposed Changes to the Regulatory Reporting Requirements of Irish Authorised Collective Investment Schemes

28 May 2012

The Central Bank of Ireland today (28 May 2012) issued a public consultation, Consultation Paper No. 59, on proposed changes to the regulatory reporting requirements of Irish authorised collective investment schemes. The Consultation Paper sets out the Central Bank's proposals for a number of changes to the existing regulatory reporting regime for Collective Investment Schemes (CIS), whereby reports will now be submitted through an Online Reporting System. In addition, the Central Bank is introducing two new structured returns where CIS are required to submit data online in a pre-specified format.

The consultation is addressed to participants in the funds industry, in particular fund directors, auditors, fund managers/investment managers, fund administrators, fund trustee/custodians and legal advisors.

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

Statement on Appointment of Liquidator to Bloxham

31 May 2012

The Central Bank acknowledges the appointment of a liquidator to Bloxham by the High Court.

The liquidator has advised the Central Bank the appointment will not affect the transfer of client assets as announced on Monday.

All former private clients of Bloxham should continue to contact Davy on (01) 6119200 should they have any queries or wish to transact business.

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

Money and Banking Statistics: April 2012

31 May 2012

The Central Bank of Ireland today published the April 2012 Money and Banking Statistics[i].

Loans and other credit

- Loans to households continued to decline during April 2012, and were 4 per cent lower on a year-to-year basis, following a decline of 3.9 per cent for the year ending March 2012. Lending for house purchase was 2.5 per cent lower on an annual basis in April 2012, while lending for consumption and other purposes declined by 8.4 per cent over the same period.
- Lending to households declined by €632 million during the month of April following a net monthly flow of minus €167 million in March. Developments in April were largely driven by a decrease in loans for consumption purposes of €394 million. Loans for house purchase and other purposes also decreased by €188 million and €51 million, respectively.
- The monthly net flow of loans to households averaged minus €385 million in the three months ending April 2012, which consists of an average net flow of minus €205 million in loans for consumption purposes, minus €22 million in lending for other purposes, and minus €157 million in loans for house purchase.
- Lending to the non-financial corporate (NFC) sector declined by 1.8 per cent in the year ending April 2012, following an annual decline of 2.2 per cent in March 2012.
- On a monthly basis, loans to NFCs decreased by €326 million during April 2012, following an increase of €34 million in March. The monthly net flow of loans to NFCs averaged minus €153 million in the three months ending April 2012, compared with an average of minus €227 million in the three-month period up to end-March 2012.
- Short-term loans to NFCs with an original maturity up to one year, which includes the use of overdraft facilities, increased during April by €155 million, following an increase of €135 million in March. Medium-term NFC loans decreased in April 2012 by €428 million, while longer-term NFC loans decreased by €53 million.
- On an annual basis, longer-term NFC loans with an original maturity over five years decreased by 1.8 per cent in April 2012. The pace of growth in short-term NFC loans continued to increase moderately, as loans with an original maturity up to one year grew by 4.3 per cent in

the year ending April 2012. Meanwhile NFC lending between one and five years original maturity declined by 6.9 per cent.

- Credit institutions' holdings of debt and equity securities issued by the Irish private sector decreased by almost €1.5 billion during the month of April - an annual rate of change in these holdings of minus 7.3 per cent. This follows a decline of 6.8 per cent for the year ending March 2012. Credit institutions' holdings of debt securities issued by other (non-bank) financial intermediaries (OFIs) decreased by 7.6 per cent on an annual basis in April 2012.

Deposits and other funding

- Irish resident private-sector deposits were 3.4 per cent lower on an annual basis at end-April 2012, compared with a decline of 4.3 per cent over the year ending March. Deposits from households were 1.1 per cent lower on an annual basis in April while deposits from NFCs declined by 3.5 per cent. Deposits from insurance corporations and pension funds (ICPFs) and OFIs fell by 7.6 per cent over the same period.
- There was a month-on-month increase of almost €4 billion in Irish resident private-sector deposits during April. This largely reflected developments in deposits from the OFI sector, which rose by almost €3.4 billion during the month. The covered institutions accounted for the majority of this increase. NFC deposits also increased, by €291 million, while household deposits decreased by €104 million.
- Private-sector overnight deposits decreased by €51 million during April 2012. Household sector overnight deposits decreased by €378 million during the month, while overnight deposits in the OFI and ICPF sectors increased by €328 million and €88 million, respectively. The NFC sector registered a decrease of €86 million in overnight deposits during April.
- Household deposits with agreed maturity up to two years increased by €307 million during the month of April, while NFCs and ICPFs increased their deposits in this category, by €376 million and €196 million, respectively. OFI deposits with agreed maturity up to two years also increased, by €72 million, during the month.
- Private-sector deposits from non-residents fell by €277 million during April 2012, predominantly reflecting developments in the IFSC-based banks. This included a decrease of €283 million in deposits from other euro area private-sector residents during the month, while private-sector deposits from non-euro area residents increased by €6 million. Total non-resident private-sector deposits were 3.9 per cent lower on an annual basis at end-April 2012, with deposits from other euro area private-sector entities 8.5 per cent lower, and those from the non-euro area private sector 0.8 per cent lower.
- Total deposits from other euro area residents, including deposits from MFIs, general government and the private sector, fell by €2.6 billion during April. This was predominantly driven by a fall of €1.7 billion in deposits from general government. Total deposits from non-euro area

residents fell by €2.7 billion during April, which was mostly related to a decline in deposits from affiliated MFIs.

- Credit institutions' borrowings from the Central Bank as part of Eurosystem monetary policy operations increased by €2 billion in April 2012. The outstanding stock of borrowings from the Eurosystem by Irish resident credit institutions amounted to €89.8 billion at end-April. Domestic market credit institutions[ii] accounted for €77 billion of this total outstanding stock - a month-on-month increase of €2 billion.
- 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-April 2012, the outstanding amount of these bonds was €13 billion.

[i] Money and Banking statistics are compiled in respect of business written out of all within-the-State offices of both credit institutions authorised to carry on banking business in the State under Irish legislation and credit institutions authorised in other Member States of the EU operating in Ireland on a branch basis. Credit institutions authorised in other EU Member States operating in Ireland on a cross-border basis, i.e., with no physical presence in the State, are not included in the statistics. A full list of Credit Institutions resident in the Republic of Ireland is available on the Bank's website. Recent data are often provisional and may be subject to revision. The extensive set of Money and Banking Statistics tables and compilation details, in Money and Banking Explanatory Notes, are also available on the Central Bank of Ireland website.

[ii] Domestic market credit institutions are those who have a significant level of retail business with Irish households and NFCs, and would exclude the more internationally focused banks in the IFSC. A full list of these institutions is available in the Credit, Money and Banking section of the Statistics portal of the Central Bank of Ireland website.

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

Retail Interest Rate Statistics: April 2012

8 June 2012

The Retail Interest Rate Statistics cover lending to, and deposits from, households and non-financial corporations (NFCs) in the euro area by credit institutions resident in Ireland. Interest rates and business volumes refer to euro-denominated loans and deposits only. Although no distinction is made between Irish residents and residents of other euro area member states, Irish residents accounted for approximately 99 per cent of outstanding household loan and deposit activity and 88 per cent of outstanding NFC loan and deposit activity at end-December 2011.

Interest rates on outstanding amounts cover all loans and deposits outstanding on the last working day of the month. Interest rates on new business volumes cover all new loan and deposit business agreed during the month[1]. For the purpose of the retail interest rate statistics, new business is defined as any new agreement between the customer and the credit institution. This covers all financial contracts that specify, for the first time, the interest rate of the deposit or loan, as well as re-negotiations of existing deposits and loans[2].

Households

Loans to Households

- Interest rates on outstanding loans to households for house purchases reported by Irish resident credit institutions increased slightly in April 2012. The weighted average interest rate on outstanding mortgage loans with an original maturity over five years (which accounted for 99 per cent of outstanding mortgage loans) was 3.00 per cent at end-April 2012. This was 2 basis points higher than at end-March 2012, but 42 basis points lower than at end-September 2011.
- The corresponding rate reported by all credit institutions resident in the euro area was higher, at 3.80 per cent at end-April 2012, having fallen by just 11 basis points since end-September 2011. Developments in average outstanding mortgage interest rates in Ireland have broadly reflected the changes to the ECB main refinancing rate in recent years, due to the high proportion of 'tracker' and other variable rate mortgage products.
- Interest rates on outstanding loans to households for consumption and other purposes fell again in April, to a weighted average rate of 5.87 per cent, from 5.96 per cent at end-March. The interest rate on short-term loans for consumption and other purposes with an agreed maturity up to one year, which includes both overdrafts and credit card debt, fell by 9 basis points during the month to 8.64 per cent at end-April. The

equivalent rate reported by all credit institutions in the euro area was lower, at 7.97 per cent. Meanwhile, the weighted average rate reported by Irish resident credit institutions on longer-term loans with an original maturity over five years was 4.17 per cent at end-April, compared to a rate of 5.20 per cent reported by all euro area credit institutions.

- With regard to new business, interest rates on new loans to households for house purchases fell in April 2012. The weighted average interest rate on new loans for house purchases with either a floating rate or up to one year initial rate fixation was 3.05 per cent, compared to 3.13 per cent in March. Loans in this instrument category accounted for over 90 per cent of new mortgage business in the last six months. In the euro area overall, loans with either a floating rate or up to one year initial rate fixation accounted for just 30 per cent of new mortgage business over the last six months. The equivalent euro area interest rate on variable rate and up to one year fixed rate mortgages in April 2012 was 3.20 per cent.
- The weighted average interest rate on new loans to households for non-housing purposes increased in April to 6.7 per cent, from 5.96 per cent in March. New business volumes in this instrument category have been very low for the past year, averaging just under €250 million per month. As a result, the interest rate series tends to be volatile.

Deposits from Households

- Interest rates on outstanding household term deposits increased slightly in April 2012. The weighted average interest rate on household deposits with agreed maturity over two years was 2.51 per cent at end-April, compared to 2.47 per cent at end-March. Interest rates on deposits with agreed maturity up to two years increased by 7 basis points, to 3.68 per cent.
- Interest rates on household term deposits have increased significantly over the past year, reflecting efforts by Irish resident credit institutions to secure additional funding by offering attractive rates on longer-term deposit products. At end-December 2010, the weighted average interest rate reported by Irish resident credit institutions on all term deposits was 2.78 per cent, compared to an average rate of 2.46 per cent reported by all euro area credit institutions. Since then, Irish resident credit institutions have reported an increase of 75 basis points in this rate, to 3.53 per cent, while the current euro area rate is 2.80 per cent, reflecting a more moderate increase of 34 basis points.
- With regard to shorter-term deposits which are redeemable at notice, interest rates have declined in recent months, following moderate increases during the first ten months of 2011[3]. At end-April 2012, the weighted average interest rate on deposits redeemable at notice was 1.95 per cent. This figure represents a decline of 48 basis points compared to the rate reported at end-October 2011. The most recent data on outstanding volumes suggest a compositional shift in household

deposit holdings – moving out of short-term products which are redeemable at notice and into longer-term deposits with agreed maturity, reflecting the prevailing rates of interest for both instrument categories.
- In relation to new deposit business, interest rates on new household term deposits increased slightly in April 2012, to a weighted average rate of 2.42 per cent, compared to 2.39 per cent in March.

Non-Financial Corporations (NFCs)

Loans to NFCs

- With regard to outstanding loans to NFCs issued by Irish resident credit institutions, interest rates continued to fall during April 2012. The weighted average interest rate on all outstanding NFC loans was 3.39 per cent at end-April, compared to 3.41 per cent at end-March. The equivalent rate at euro area level was 3.68 per cent at end-April.
- Longer-term loans to NFCs with an original maturity over five years accounted for 46 per cent of all outstanding loans issued to NFCs by Irish resident credit institutions at end-April 2012. The weighted average interest rate on these loans was 3.26 per cent, while the rates on short-term and medium-term loans[4] were 3.75 per cent and 3.25 per cent, respectively.
- The weighted average interest rate on new loans to NFCs up to an amount of €1 million, which is often used as a proxy for the rate applying to loans to SMEs, was 4.55 per cent in April 2012, reflecting a fall of just 5 basis points compared to March. The equivalent rate reported by euro area credit institutions for April 2012 was 4.21 per cent. For loans over €1 million, the rate reported by Irish resident credit institutions fell in April, to an average rate of 3.02 per cent, compared to an equivalent euro area rate of 2.61 per cent. Given that volumes of new business in Ireland are very low, month-on-month changes in rates are volatile, and can be unduly influenced by a very small number of new contracts.

Deposits from NFCs

- The weighted average interest rates on outstanding NFC term deposits fell in April 2012, to 3.00 per cent from 3.07 per cent at end-March. The weighted average interest rate on NFC deposits with agreed maturity up to two years, which accounted for 96 per cent of NFC term deposits, was 3.06 per cent at end-April 2012, compared to 3.14 per cent at end-March 2012. The equivalent rate at euro area level at end-April 2012 was 1.95 per cent, a fall of 5 basis points from March 2012.

- With regard to new deposit business, the weighted average interest rate on new NFC term deposits was 1.68 per cent in April 2012 – an increase of 16 basis points from April 2011. Over the same period, the equivalent rate for the euro area fell by 48 basis points, to 1.15 per cent in April 2012.

[1] In recent months, new business volumes have been exceptionally low in a number of instrument categories. This can result in volatility in the interest rate series.

[2] Automatic renewals of existing contracts, which occur without any involvement by the customer, are not included in new business.

[3] For the purpose of these statistics, deposits redeemable at notice cover both the household and NFC sectors. At end-December 2011, households accounted for 88 per cent of outstanding deposits redeemable at notice.

[4] Short-term loans are those with an original maturity up to one year. Medium-term loans have an original maturity of between one and five years.

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

Central Bank Statement on Mortgage Arrears

8 June 2012

The Central Bank of Ireland last week started to receive supplemental information from the leading mortgage lenders concerning their mortgage arrears resolution strategies.

This material included the lenders' responses to the Central Bank's assessment of their distressed credit operations, undertaken by Black Rock, which indicated the need for a significant improvement in operational capabilities. The banks have committed to a step change in their operations and have provided detailed plans to enhance their handling of arrears cases. The Central Bank will continue to monitor their implementation closely.

The lenders provided details of their menu of forbearance and loan modification techniques. These are broadly in line with the recommendations of the Keane report, including mortgage to rent and different variations of split mortgages. Individual lenders are expected to move to pilot stage shortly, as they complete their analysis of portfolio segmentation and capital implications. Lenders are required to start fully implementing their complete menu of approaches by Q4 at the latest.

The main lenders have completed or are completing a segmentation of their loan portfolio to assess the projected level of different forbearance or modification techniques. This information is still subject to considerable uncertainty and modelling assumptions. The Central Bank will be publishing revised mortgage arrears data later this year to include Buy To Let arrears and easier tracking of the application of different forbearance and loan modification techniques. The Central Bank is also agreeing and monitoring Key Performance Indicators (KPIs) with the banks.

The Central Bank will provide technical comments on the detail of the banks submissions in the coming weeks and will be reviewing submissions from a wider group of lenders.

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

Central Bank Statement on Baxter Financial Services Limited

8 June 2012

Baxter Financial Services Ltd ("Baxter") was established in Ireland in 1995 and was authorised by the Central Bank on 31 August 2001. Baxter is regulated under the European Communities (Markets in Financial Instruments) Regulations 2007 (the "MiFID Regulations").

Arising from concerns relating to Baxter's compliance with capital requirements and historic corporate governance failures, the Central Bank applied to the High Court, pursuant to regulation 22 of the MiFID Regulations, seeking an Order revoking Baxter's authorisation to operate as an investment firm. Baxter has today consented to an Order being made in the High Court revoking its authorisation.

Following revocation of its authorisation, Baxter continues to be subject to those provisions of the MiFID Regulations applicable to former authorised investment firms. The spot foreign exchange business, which represents 99% of Baxter's business, remains unaffected.

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

Central Bank to Hold Compliance Road Show for Intermediaries in Dublin

13 June 2012

The Central Bank of Ireland will hold the fourth in a series of Intermediary Road Shows in Dublin on 15 June 2012. The event is being held to increase engagement with firms, to assist them with their compliance with Central Bank's rules, including Fitness and Probity Standards, the online annual return, the Consumer Protection and Minimum Competency Codes and in turn, to help ensure that consumers benefit from the protections provided by these rules. The Central Bank regulates almost 1900 Retail Intermediaries in the Dublin area.

Bernard Sheridan, Director of Consumer Protection at the Central Bank said "We are hosting this event to engage directly with intermediaries providing financial services to consumers in Dublin to assist them in being fully compliant with the Central Bank's rules on fitness and probity, consumer protection and minimum competency".

"Our events in Sligo, Limerick and Cork earlier this year proved popular, with over 400 attendees. The feedback we received from intermediaries was largely positive and it was a great opportunity for us to discuss issues of importance with them especially with the introduction of new regulatory enhancements including: amendments to fitness and probity regime, changes to the requirements in the Code and the introduction of new systems including the retail intermediary online return".

The revised Consumer Protection Code, published in October 2011, provides enhanced protection for consumers in areas such as contact by firms, mis-selling of products, vulnerable consumers, transparency of advertising of products and errors and complaints handling.

Persons working in defined roles in regulated firms, including those selling financial products, are subject to the Central Bank's Fitness and Probity Standards, which require them to be competent, capable, honest and ethical. The standards also require people to act with integrity and to be financially sound.

The Minimum Competency Code requires that all persons who provide consumers with financial advice and products hold a recognised professional qualification or have gained experience through working in the industry for a specified period of time. These persons must undertake a programme of Continuing Professional Development (CPD) on an on-going basis to ensure their skills are kept up-to-date.

Note:

The Consumer Protection Code was originally published in 2006 and came into effect in 2007. The Central Bank published a revised Consumer Protection Code in October 2011 which came into effect on January 1 2012.

The Central Bank recently published a Programme of Themed Reviews and Inspections for 2012.

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

Statistics on Securities Issues of Irish Financial and Non-Financial Firms: April 2012

13 June 2012

The Central Bank of Ireland today released its statistics on market-based financing activities of financial and non-financial firms incorporated in Ireland at end-April 2012. The dataset contains information on the volume of bonds and notes issued during April, as well as the market valuation of outstanding equity shares by sector of issuer at end-April. The sectors of the issuers are: banks; other financial intermediaries; Government; non-financial corporates; and insurance companies and pension funds.

Overview:

- At end-April 2012, the outstanding amount of debt securities issued by Irish financial and non-financial firms, and the Government stood at close to €1.01 trillion; representing a year-on-year 3 per cent reduction. This contrasts with an annual growth rate of 4.4 per cent across the euro area.
- Equity shares outstanding had a value of almost €212.4 billion at end-April. This includes quoted shares issued by Irish residents (€211.9 billion); the annual percentage change in the amount outstanding for quoted shares saw a year-on-year net increase of 17 per cent. The equivalent figure for euro area residents fell by 16.2 per cent over the same period.
- Market-based debt financing for the banking sector continued to contract during April with redemptions of €2.1 billion. The outstanding amount of debt securities for this sector saw a year-on-year fall of 27 per cent compared to an annual growth rate of 4.2 per cent for the euro area.

Government Debt Issuance:

- The outstanding value of long-term Government debt rose to €83.2 billion at end-April[1] from €79.8 billion in March. This followed the issue of a €3.46 billion Government bond[2] to the Irish Bank Resolution Corporation (IBRC) in settlement of the promissory note liability due to the IBRC.
- This represents a year-on-year decrease of more than 7 per cent when compared with April 2011 (€89.7 billion).
- €17.9 billion (or 22 per cent) of this long-term debt will fall due over the next 3 years

- At end-April 2012, Irish resident investors accounted for 28 per cent of long-term Irish Government bonds compared with 17 per cent in April 2011.
- The Irish banking sector accounted for a significant portion of this increase. 21 per cent of all resident holdings at end-April 2012 (or €17.3 billion), compared with 14 per cent in April 2011, were held by the Irish banking sector.
- Holdings by Irish financial intermediaries increased by more than 300 per cent (to €4.5 billion) in April 2012. The bond used in settlement for the promissory note due to IBRC is currently being financed with a collateralised facility from NAMA (OFI sector) as an interim

Banking Sector:

- Market-based debt financing for the banking sector continued to contract during April. The outstanding amount of debt securities saw a year-on-year fall of 27 per cent compared to an annual growth rate of 4.2 per cent for the euro area.
- €37.9 billion, or 40 per cent, of Irish banks' debt securities will fall due within the next 12 months.
- The outstanding amount of the banking sector's equity securities has risen by 37 per cent over the past 12 months reflecting a substantial increase in the number of shares issued on foot of the bank recapitalisation programme in 2011.

Other Financial Intermediaries:

- The other financial intermediary (OFI) sector[4] recorded total net redemptions of approximately €2.5 billion in April 2012.
- The total outstanding amount of debt securities rose to €828.6 billion – a 2 per cent increase year-on-year – with long-term debt securities accounting for €776.6 billion (or 94 per cent) of this total. The annual rate of change of outstanding debt securities across the euro area was 2.8 per cent over the same period.
- Approximately €93.5 billion (or 11 per cent) of the total debt securities issued by the OFI sector will fall due within the next 12 months.
- A rise in the outstanding amount of OFI's equity securities (14 per cent) over the past 12 months also played an important part in the general upward movement in quoted equity securities since early-2010. These developments are mainly attributable to international holding companies incorporated in Ireland.

Non-Financial Corporates and Insurance & Pension Funds:

- The outstanding amount of debt securities issued by non-financial corporates (NFC), and insurance companies and pension funds were €2.8 billion and €2.4 billion, respectively, at end-April 2012; in the case of NFCs, this equated to a 3 per cent decrease year-on-year. The annual growth rate of outstanding debt securities for NFCs resident in the euro area was 9.6 per cent.
- Approximately €610 million (or 22 per cent) of total debt securities issued by the NFC sector will fall due within the next 12 months.
- The outstanding amount of equity securities in the NFC sector increased by €3.1 billion in April as a result of positive market valuations (or an annualised increase of 16 per cent). The annual percentage change in the amount outstanding of quoted equity securities for NFCs in the euro area was a fall of 13.5 per cent.

Notes:

- The statistics are based on Irish resident sectors issuances of securities where an ISIN[5] code is assigned, irrespective of the market of issue or listing. Non-ISIN information is also provided for monetary financial institutions.
- Debt securities are broken down according to their original maturity and coupon type. Equity securities are classified into quoted and unquoted securities excluding investment fund shares/units.
- The difference between month-on-month equity stocks reflects valuations changes transactions in addition to transactions and other adjustments, for example, reclassifications and corrections.
- The data reflect revisions arising from data quality management activities performed by the Bank, which contribute to improvements in the data.

[1] Refers to debt securities in all currencies

[2] 5.4% Treasury Bond 2025 settled on Monday April 2nd 2012

[3] Subject to vote by Bank of Ireland shareholders; it is intended that Bank of Ireland will ultimately finance this long-term Government bond.

[4] Includes entities involved in securitisation, asset finance companies, and treasuries, etc. (predominantly involved in international financial service activities). Investment and money market fund units/shares are excluded from the equities securities component of the securities issues statistics.

[5] An ISIN code is a unique identifier assigned to an individual security.

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

Trends in Business Credit and Deposits: Q1 2012

14 June 2012

Summary

- Lending to non-financial, non-property related SMEs by Irish resident credit institutions declined by €217 million over the quarter (0.8 per cent), and €1.7 billion over the year ending Q1 2012 (6.3 per cent), bringing the total outstanding amount of lending to SMEs in these sectors at end-Q1 2012 to €27.1 billion. This follows an annual decline of 6.2 per cent in 2011.
- Gross new lending to non-financial, non-property related SMEs, which refers to drawn-down amounts of new facilities, excluding those related to restructure or renegotiation of existing facilities, amounted to €407 million during Q1 2012.
- Credit advanced to all non-financial, non-property related enterprises declined by €558 million over the quarter (1.4 per cent), and €2.2 billion over the year to end-Q1 2012 (5.2 per cent), bringing total credit outstanding to non-financial, non-property related enterprises to €39.8 billion. This follows annual declines of 9.1 per cent and 7.1 per cent at end-Q3 2011 and end-Q4 2011, respectively.
- Credit advanced to property-related enterprises engaged in construction and real estate activities was 0.2 per cent lower over the year ending Q1 2012, following a quarterly decrease of €215 million in Q1. Lending to SMEs in these sectors had fallen by 3.7 per cent in the year ending Q1 2012, which included a decline on a quarterly basis of €396 million in Q1.
- Deposits held by Irish resident private-sector enterprises in credit institutions in Ireland declined by €347 million (0.5 per cent) during Q1 2012. Non-financial enterprise deposits were €35 billion at end-Q1 2012, following a quarterly decrease of €1.1 billion (3 per cent). The annual rate of decline in deposits from these enterprises was 4.7 per cent in Q1 2012.

Credit Advanced to SMEs

- The outstanding amount of credit advanced to Irish SMEs by resident credit institutions was €73.1 billion at end-Q1 2012. This was a decline of 0.9 per cent over the quarter and a decline of 3.9 per cent over the year.
- The total outstanding amount of SME credit includes lending to certain financial vehicle corporations in the financial intermediation sector, as

their balance sheet size brings them into the SME category[1]. Excluding the financial intermediation sector, credit outstanding to SMEs totalled €61 billion at end-Q1 2012, a decrease of €613 million (1 per cent) during the quarter and a decline of €2.6 billion (4.9 per cent) over the year.

- There was €33.9 billion of loans outstanding to SMEs in the property-related sectors of construction and real estate activities at end-Q1 2012, equivalent to 55.7 per cent of total credit outstanding to non-financial SMEs. Lending to SMEs in these sectors fell by a combined 3.7 per cent over the year ending Q1 2012, a net flow of minus €864 million (i.e. repayments exceeded drawdowns[2] by €864 million).
- Credit to non-property, non-financial SMEs accounted for 68 per cent of total credit to non-property, non-financial private-sector enterprises at end-Q1 2012. Lending to these SMEs fell by 6.3 per cent (€1.7 billion) in the year ending Q1 2012, with a quarterly decline of 0.8 per cent (€217 million) during the quarter. This follows a decline in lending to these SMEs during Q4 2011 of €386 million (1.5 per cent).
- Lending to SMEs increased in four non-financial, non-property related sectors during Q1 2012. These quarterly increases occurred in lending to agriculture (€48 million), forestry, logging, mining and quarrying (€18 million), electricity, gas, steam and air conditioning supply (€24 million) and the education sectors (€14 million). The largest quarterly decline in value terms was in lending to the wholesale/retail trade and repairs sector (€125 million).
- A total of €407 million was drawn-down relating to new loans to SMEs in the non-property, non-financial sectors during Q1 2012. (i.e. drawdowns of new facilities, excluding restructuring or renegotiations of existing facilities)[3], equivalent to 1.5 per cent of the previous quarter stock of lending. The agriculture sector continued to be significant in value terms of new SME lending during the quarter (€125 million), followed by the business and administrative services and wholesale/retail trade and repair sectors (both €60 million). Relative to each sectors Q4 2011 stock of lending, gross new lending to SMEs in the non-property, non-financial sectors was most significant in fishing and aquaculture (4.7 per cent), agriculture (3.2 per cent) and information and communication (3.2 per cent).

Credit Advanced to All Irish Resident Private-Sector Enterprises

- The total amount of credit outstanding to Irish private-sector enterprises on the balance sheet of resident credit institutions was €219.6 billion at end-Q1 2012. Approximately 56 per cent of this amount was with respect to the financial intermediation sector, which would include holdings of debt securities issued by the NAMA Master SPV[4] and other financial vehicle corporations. Excluding financial intermediation, the total amount of private-sector enterprise credit outstanding was €97.2 billion at end-Q1 2012.

- The annual rate of change in non-financial private-sector enterprise credit was minus 2.3 per cent at end-Q1 2012, equivalent to a net annual flow of minus €2.3 billion. Credit advanced to the construction and real estate sectors fell by €104 million over the year, or 0.2 per cent.
- Excluding property-related and financial sectors, credit advanced to Irish private-sector enterprises stood at €39.8 billion at end-Q1 2012, a decline of 5.2 per cent (€2.2 billion) on an annual basis. Credit advanced to the wholesale/retail trade sector continued to have the largest share in the outstanding amount of credit to non-property non-financial enterprises at 23.3 per cent, followed by the hotels and restaurants sector at 19.4 per cent. Credit to these sectors was 3.8 per cent and 2 per cent lower on an annual basis, respectively at end-Q1 2012.
- Credit advanced to the manufacturing sector was 5.7 per cent lower on an annual basis at end-Q1 2012, which followed a quarter-on-quarter decline of €243 million during the period. Quarterly developments in credit to the manufacturing sector was related to a fall of €158 million in credit to enterprises in the manufacture of food, beverage and tobacco products, and a reduction in credit of €111 million to enterprises manufacturing chemicals, rubber/plastic and other non-metallic products.
- Credit to enterprises in the business and administrative services sector declined by €19 million during Q1 2012, following a fall of €276 million in the previous quarter. On an annual basis, credit advanced to this sector declined by 8.7 per cent in the year ending Q1 2012, compared with an annual increase of 4.7 per cent for the year ending Q1 2011.
- Credit advanced to the agriculture sector, which accounted for 10.8 per cent of all non-property, non-financial credit to enterprises at end-Q1 2012, was 3.6 per cent lower on an annual basis, following a decline of €160 million over the year. Much of this annual decline was experienced in the final quarter of 2011 and related to enterprises engaged in the farming of animals, as repayments of credit by these enterprises exceeded new drawdowns by €119 million during Q4 2011. This was partially reversed during Q1 2012, as there was an increase in credit to enterprises engaged in the farming of animals of €33 million, leading the overall quarterly increase in credit to agriculture of €20 million.

Deposits from Irish Resident Private-Sector Enterprises

- The quarterly net flow of deposits from Irish private-sector enterprises during Q1 2012 was minus €347 million (0.5 per cent). This followed a fall of €241 million during Q4 2011 (0.3 per cent). The annual decline in deposits from Irish private-sector enterprises was 8.6 per cent at end Q1 2012 (€6.9 billion).

- The financial intermediation sector (excluding monetary financial institutions) accounted for the majority of this annual decline, with deposits from this sector being €5.1 billion (11.6 per cent) lower over the year. On a quarterly basis, deposits from the financial intermediation sector rose by €748 million (1.9 per cent).
- Excluding financial intermediation, there was an annual decline of private-sector enterprise deposits of 4.7 per cent (€1.8 billion) in the year ending Q1 2012. Over this period, deposits from these enterprises rose by €381 million during the second half of 2011, but this was more than offset by declines of €1.1 billion in both Q2 2011 and Q1 2012.
- During Q1 2012, deposits from 9 of the 15 non-financial sectors declined, with the largest absolute decrease from enterprises engaged in wholesale/retail trade and repairs (€687 million). The largest absolute increase in deposits during the quarter was from enterprises engaged in business and administrative services (€473 million)

[1] SMEs are defined as enterprises with fewer than €250 million and whose annual turnover does not exceed €50 million or whose annual balance sheet does not exceed €43 million. This is the standard EU definition of an SME.

[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.

Trends in Personal Credit and Deposits: Q1 2012

15 June 2012

Summary

- Total credit to Irish private households outstanding on the balance sheet of resident credit institutions was €99 billion at end-March 2012, following a quarterly decline of 1.1 per cent and an annual decline of 4.1 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-March 2012 was €148.4 billion.
- The total deposits held in resident credit institutions by Irish private households was €86.9 billion at end-March 2012, following a quarterly increase of 1.0 per cent and an annual decline of 0.7 per cent.

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

- The annual rate of change in loans for house purchase on-balance sheet was minus 2.4 per cent at end-March 2012, following a quarterly decline of 0.6 per cent. This was the ninth consecutive quarterly decline, bringing the outstanding amount of loans for house purchase on-balance sheet to €79.9 billion. Total loans for house purchase, including securitised mortgages, peaked in March 2009 at €149 billion. The outstanding amount of securitised mortgages, which continue to be serviced by resident credit institutions, was €49.7 billion at end-March 2012.
- 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-March 2012. Tracker mortgages by themselves accounted for 49 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 Q1 2012 to 36 per cent, reflecting a net increase of €663 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-March 2012, following a net decline of €900 million during the quarter. Mortgages over one year and up to three years rate fixation accounted for 52 per cent 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-March 2012. This share has remained unchanged from end-December 2010. Loans for principal dwellings fell during Q1 2012 by €320 million, reflecting an underlying decline of €733 million in fixed rate mortgages and an increase of €413 million in floating rate mortgages.
- Standard variable mortgages on principal dwellings increased by €779 million during Q1 2012, while tracker mortgages declined by €276 million and mortgages fixed for up to one year also declined by €89 million. Floating rate mortgages (of which 43 per cent standard variable, 54 per cent tracker, and 2 per cent up to one year fixed) accounted for 85 per cent of the outstanding amount of loans for principal dwellings at end-March 2012. The share of floating rate mortgages was slightly higher for those loans included in a securitisation pool, at 91 per cent.
- The outstanding amount of on-balance sheet loans for buy-to-let residential properties was €19.4 billion at end-March 2012, accounting for 24 per cent of loans for house purchase. There was a net decline of €164 million in these loans during Q1 2012 (0.8 per cent), reflecting declines in fixed rate mortgages of €160 million and in floating rate mortgages of €4 million. Floating rate mortgages (of which almost 37 per cent standard variable, 63 per cent tracker, and 0.3 per cent up to one year fixed) accounted for 93 per cent of the outstanding amount of loans for buy-to-let properties at end-March 2012.
- Loans for holiday homes/second homes accounted for 1.4 per cent of on-balance sheet loans for house purchase at end-March 2012. Floating rate mortgages accounted for 92 per cent of the outstanding amount of loans for holiday homes/second homes at end-March (of which almost 39 per cent standard variable, 61 per cent tracker, and 0.2 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 (€18.8 billion) of total on-balance sheet credit advanced to Irish private households by resident credit institutions at end-March 2012.
- Lending in this category fell by 11.6 per cent in the year ending March 2012. This followed an annual decrease of 6.5 per cent at end-December 2011.
- Non-housing related lending to private households peaked in Q1 2009. By end-March 2012 it had declined by 19 per cent from that peak.
- Non-housing related lending to private households declined by €644 million during Q1 2012 (3.3 per cent). This reflected a decline in finance for investment purposes of €61 million, while finance for other non-housing related purposes fell by €583 million.

Deposits from Private Households

- The deposits held in resident credit institutions by Irish private households stood at €86.9 billion at end-March 2012. This followed an increase of €824 million (1.0 per cent) during Q1 2012.
- The outstanding amount of personal deposits was 0.7 per cent lower on an annual basis at end-March 2012, compared with annual rates of decline of 3.3 per cent and 5.0 per cent at end-December and end-September 2011, respectively.
- The net flow of personal deposits in the year ending March 2012 was minus €572 million.

[1] The impact of the exit of Bank of Scotland (Ireland) from the market at end-2010 is adjusted for by removing it from the quarterly 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.

Central Bank Reports on Banks' and Insurance Companies' Plans for Implementation of Revised Consumer Protection Code

19 June 2012

The Central Bank of Ireland today reported on the outcome of its review and inspection of banks and insurance companies' plans to ensure full implementation of the revised Consumer Protection Code. The revised Code was introduced in January 2012 and contains both enhanced and new consumer protection requirements for regulated entities such as banks, insurance companies and intermediaries.

Overall, the Central Bank found that most firms inspected had prioritised the full and effective implementation of the revised Code, had committed the necessary resources and training and confirmed that they will have all revised Code provisions in place by 30 June 2012. However, some areas for improvement were identified, including the provision of clear and accurate information in plain English, identification of the needs of vulnerable consumers and provision of reasonable arrangements and assistance to vulnerable consumers.

Commenting on the findings, Director of Consumer Protection, Bernard Sheridan said: 'The revised Code plays a significant role in providing greater consumer protection which is a key priority for the Central Bank. We have taken a proactive approach to ensuring that regulated entities are committed to consumer protection requirements and recognise the importance of compliance with them. Our review and inspection has, in the main, identified a good level of commitment within firms to implementing all aspects of the revised Code. While we recognise that the revised Code may have required some firms to engage in enhanced system development and training, it is imperative that the Code is implemented in full. We have written to banks and insurance companies to outline our findings and to highlight areas that we believe require more work and focus." A copy of that communication is available on our website here. Issues identified during the inspection are being followed up individually with the firms concerned.

The Central Bank found that the vast majority of firms were well organised in their approach to developing systems and training relating to the revised Code and have a good level of project management, governance and project controls in place. The areas for further improvement are:

1. Providing clear, accurate, up to date information to consumers, that is, written in plain English. A number of examples of best practice were identified during this review including the training of staff in communicating clearly and plainly with consumers and the employing of third party experts to review and edit written materials where in-house expertise is not available; and
2. Identifying all categories of vulnerable consumers and providing reasonable arrangements and assistance to them in their dealings with the firm. Examples of best practice include firms who actively engaged

with staff on how to be sensitive and practical in recognising a vulnerable consumer and in affording them the appropriate level of assistance.

While this review focussed on firms' preparation to implement the revised Code, the Central Bank continues to monitor compliance through its 2012 programme and future programmes of themed reviews and inspections. The findings of this review will feed into the on-going monitoring of compliance with consumer protection requirements.

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 UBS International Life Limited

21 June 2012

The Central Bank of Ireland ("the Central Bank") entered into a Settlement Agreement on 19 June 2012 with UBS International Life Limited, a regulated financial services provider, in relation to various breaches of the Criminal Justice (Money Laundering and Terrorist Financing) Act 2010 the ("CJA 2010").

Reprimand and fine

The Central Bank reprimanded the firm and required it to pay a monetary penalty of €65,000 for its failure to comply with certain requirements of the CJA 2010, aimed at protecting the financial system from the risk of exposure to money laundering and terrorist financing.

Breaches

The breaches identified are:

1. UBS International Life Limited failed to demonstrate that it had instructed any of its staff on the law in relation to money laundering and terrorist financing from 15 July 2010 (when the CJA 2010 came into force) until December 2010. Furthermore, with one exception, the firm failed to provide this instruction to the directors of the firm until 26 April 2011. These failures amounted to breaches of Section 54 (6) (a) of the CJA 2010.

2. UBS International Life Limited failed to demonstrate that it had met the requirements for placing reliance on third parties, in accordance with Section 40 (3) of the CJA 2010, thereby failing to comply with its obligations in relation to the identification and verification of customers. These breaches occurred from 15 July 2010 to 30 May 2011.

3. UBS International Life Limited failed to adopt adequate written policies and procedures in relation to the identification and reporting of suspicious transactions. These breaches amounted to a breach of Section 54 (2) of the CJA 2010.

Background

The Central Bank's Anti-Money Laundering and Counter Terrorist Financing ("AML/CTF") Supervisory Unit identified these breaches during an inspection of the firm conducted in December 2010. Following this inspection, an examination into these issues was conducted by the Central Bank's Enforcement Directorate.

Sanctions Decision Factors

The taking of this case and the sanctions imposed reflect the seriousness with which the Central Bank views breaches of the legislative provisions which are designed to prevent the use of the financial system for the purpose of money laundering and terrorist financing.

The Central Bank's examination identified UBS International Life Limited's failure to take into account and implement the legislative changes imposed by the CJA 2010, particularly in the areas of instruction on the law, third party reliance requirements and the adoption of adequate written policies and procedures in relation to the identification and reporting of suspicious transactions.

The Central Bank takes particularly seriously the fact that the UBS International Life Limited did not demonstrate to the Central Bank that it had provided instruction in the law to its staff until December 2010 or to the majority of its directors until April 2011.

In deciding the appropriate sanctions, the Central Bank has also taken into account that:

1. the firm has co-operated fully in the examination process and settled at an early stage in the administrative sanctions procedure;

2. the firm has stated that it takes this matter extremely seriously and is fully committed to ensuring that the firm operates at all times in compliance with its legal and regulatory requirements; and

3. the firm has confirmed that it has now rectified the breaches in question and has provided documentation in support of this.

The Central Bank confirms that the matter is now closed.

- End –

The Central Bank of Ireland entered into a Settlement Agreement on 19 June 2012 with UBS International Life Limited, a regulated financial services provider, in relation to breaches of the Criminal Justice (Money Laundering and Terrorist Financing) Act 2010 the ("CJA 2010").

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

"This is the Central Bank's first administrative sanction for non-compliance by a regulated firm with anti-money laundering and counter terrorist financing laws which came into force in July 2010.

Firms must adopt robust and effective policies and procedures to prevent and detect money laundering and terrorist financing including ensuring that policies, procedures and business practices are updated in timely manner on foot of changes to regulatory requirements. Furthermore, such policies and procedures must be appropriate to the nature of, and risks associated with, a firm's operations, including its local and international distribution models as well as the types of financial services and products sold or distributed.

Firms are reminded that AML/CTF requirements must have, like other important governance issues, a home on the boardroom agenda. We have said previously that we have identified many instances where firms do not appear to have comprehensively reviewed their business models to assess the impact of the CJA 2010 on their businesses nor devised or deployed effective implementation plans. It is important for the integrity of the Irish regulated market and the international fight against financial crime that both European and global money laundering and terrorist financing obligations are complied with. Where the actions of a firm undermine the Central Bank's achievement of local statutory and international obligations the firm should expect that enforcement action will follow, especially where the breach falls within our stated Enforcement Priorities and Enforcement Strategy, to which we attach high priority".

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

March 2012 Consolidated Banking Statistics: Foreign Claims

21 June 2012

Domestic Banks' Foreign Claims decreased by 7.3 per cent to €133 billion at end Q1-2012

The Central Bank of Ireland today publishes updated statistics on the domestic Irish banking system's claims on the rest of the world. These consolidated banking statistics detail the claims of the domestic banks on non-residents, by counterpart country and sector on an ultimate risk basis i.e. according to the country and sector where the ultimate guarantor of the risk resides. This is a similar dataset to the Consolidated Banking Statistics published by the Bank for International Settlements (BIS), but differs in that the Central Bank dataset refers only to the domestic Irish banks[1].

At end-March 2012, the domestic banks had foreign claims of €133 billion, which was a decrease of €10.5 billion over the quarter. The decrease was largely due to a decline in claims on the US and UK private sector. Most credit institutions continued to reduce their foreign claims, signalling a continued retrenchment from foreign markets. By far the largest share of domestic banks' claims is on UK private-sector residents, with private-sector residents of the US also accounting for a significant proportion. Claims on foreign private sectors are predominant, with claims on foreign public sectors being relatively low. In addition to the decline over the quarter, total foreign claims have decreased by 27 per cent since end-March 2011. The annual reduction in total foreign claims is expected, given that the domestic banking groups are downsizing their operations abroad, including the disposal of overseas units. This trend is likely to persist with the continuing downsizing, and retrenchment into the Irish market, by the domestic banks.

Consistent with recent trends, the end-March 2012 data show that local claims[2], at €102 billion, were far greater than cross-border claims which stood at €31 billion. The reduction in foreign claims since mid-2009 has been driven by a fall in cross-border credit, which was declining at a much faster annual rate than local claims. At end-March 2012, cross-border claims had declined by 42 per cent when compared to March 2011, while local claims had declined by 20 per cent.

The domestic banks' largest foreign claims are on the United Kingdom (including Northern Ireland), with exposures of €99 billion located there at end-March 2012. Foreign claims on the UK decreased by 6.5 per cent over the quarter. Even though claims on the UK credit institutions are relatively small, they accounted for most of this fall, with a smaller decline related to the private sector. Claims on the public sector increased in Q1 2012. Chart 2 shows the vast majority of the domestic banks' claims on the UK are on the non-bank private sector, while exposures to the public sector are very small relative to overall foreign exposures.

There was a fall in the outstanding amount of foreign claims on the US in Q1 2012 of around €1.3 billion (Chart 3). This fall was mainly due to continued deleveraging by Irish banks; nevertheless, foreign claims by domestic banks on the US remain the second largest, accounting for 5 per cent of total foreign claims (Chart 2). Approximately 76 per cent of US claims are on the private sector. However, in Q1 2012 local claims on the US declined by 22 per cent while cross-border claims declined by 11 per cent. France, Spain and Germany continue to hold a sizeable share of the foreign claims, although they declined by a collective €201 million over the quarter. Claims on Poland and the Isle of Man also decreased over the same period. The Isle of Man however, still remains the fifth largest in terms of foreign claims at end-March 2012.

In the quarter ending March 2012, 79 per cent of foreign claims were on the non-bank private sector, and while claims on this sector have been falling in general since June 2009, the sector still constitutes a significant proportion of total foreign claims. This is because claims on credit institutions have been falling at a greater rate. Claims on credit institutions have been declining in general since March 2009, and accounted for just 11 per cent of total foreign claims at end-March 2012, down from 25 per cent at end-December 2008.

Credit commitments, derivatives and guarantees are not included in the total claims figures but are detailed separately in the published tables. These series recorded a decrease over the quarter to March 2012. Derivatives decreased by €1.4 billion during Q1 2012, while credit commitments and guarantees also declined by €290 million in aggregate. These series have been quite volatile over the period covered by the dataset.

[1]In this case, the Central Bank of Ireland defines domestic banks as those banks guaranteed by the Irish Government under the Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009.

[2] Local claims refer to lending by non-resident affiliates of domestic banks in the country where the affiliate is located.

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

Decisions Taken by the Governing Council of the ECB (In addition to decisions setting interest rates) June 2012

22 June 2012

Economic, monetary and financial situation

Structural Issues Report 2012

On 6 June 2012 the Governing Council approved the Structural Issues Report 2012, which was prepared by the Monetary Policy Committee (one of the Eurosystem/ESCB committees). The report, entitled “Euro area labour markets and the crisis”, describes the heterogeneity in the adjustment observed across euro area labour markets, ascertaining the role of different shocks, labour market institutions and policy responses, and analyses the medium-term consequences of these labour market developments. The report will be sent to the European Parliament and subsequently published on the ECB’s website as part of the Occasional Paper Series.

Market Operations

Details of refinancing operations from 11 July 2012 to 15 January 2013

On 6 June 2012 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.

Measures to increase collateral availability for counterparties

On 20 June 2012 the Governing Council decided on additional measures to increase collateral availability for counterparties in order to improve their access to Eurosystem operations and further support the provision of credit to households and non-financial corporations. More detailed information can be found in a press release published on the ECB’s website on 22 June 2012.

Payment systems and market infrastructure

TARGET Annual Report 2011

On 24 May 2012 the Governing Council took note of the TARGET Annual Report 2011. The report indicates that TARGET2 continues to be instrumental in promoting an integrated euro area money market, which is a prerequisite for the effective conduct of the single monetary policy, and contributes to the integration of the euro financial markets. The report and a related press release were published on the ECB's website on 31 May 2012.

Eurosystem collateral management services and systems

On 15 June 2012 the Governing Council announced its decision to discontinue the preparations for the Collateral Central Bank Management (CCBM2) project in its current form. In the project detailing phase, a number of challenges in the field of harmonisation were identified and the Eurosystem has decided to address these issues first before proceeding further with a common technical platform. The existing correspondent central banking model (CCBM) for cross-border collateral management remains in place. A related press release was published on the ECB's website on 15 June 2012.

Advice on legislation

ECB Opinion on limitations on cash payments in Denmark

On 10 May 2012 the Governing Council adopted Opinion CON/2012/37 at the request of the Danish Ministry for Economic Affairs and the Interior on behalf of the Ministry of Taxation.

ECB Opinion on the oversight of retail payment services and systems in Italy

On 21 May 2012 the Governing Council adopted Opinion CON/2012/38 at the request of the Banca d'Italia.

ECB Opinion on the recapitalisation and resolution framework for credit institutions in Greece

On 22 May 2012 the Governing Council adopted Opinion CON/2012/39 at the request of the Greek Ministry of Finance.

ECB Opinion on debt arrangements for over-indebted individuals in Greece

On 22 May 2012 the Governing Council adopted Opinion CON/2012/40 at the request of the Greek Ministry of Labour and Social Security.

ECB Opinion on the introduction of legal framework for the operation of central counterparties in Poland

On 22 May 2012 the Governing Council adopted Opinion CON/2012/41 at the request of the Marshal of the Polish Parliament (Sejm).

ECB Opinion on the Law on the Magyar Nemzeti Bank

On 31 May 2012 the Governing Council adopted Opinion CON/2012/43 at the request of the Hungarian Ministry for the National Economy.

ECB Opinion on the Law on Česká národní banka

On 31 May 2012 the Governing Council adopted Opinion CON/2012/44 at the request of the Czech Ministry of Finance.

ECB Opinion on the increase of Hungary's quota with the International Monetary Fund

On 1 June 2012 the Governing Council adopted Opinion CON/2012/45 at the request of the Hungarian Ministry for the National Economy.

ECB Opinion on the reorganisation and sale of real estate assets in the Spanish financial sector

On 5 June 2012 the Governing Council adopted Opinion CON/2012/46 at the request of the Banco de España.

ECB Opinion on prevention of late payments in Slovenia

On 18 June 2012 the Governing Council adopted Opinion CON/2012/47 at the request of the Slovenian Ministry of Finance.

International and European cooperation

The 11th annual report on "The international role of the euro"

On 20 June 2012 the Governing Council approved the publication of the 11th annual report on "The international role of the euro". The report, which covers developments in 2011, examines the role of the euro in global markets and countries outside the euro area and aims to enhance understanding of the current state of internationalisation of the euro, identifying the main developments and underlying trends. The report, together with a related press release, will be published on 9 July 2012 on the ECB's website.

Corporate governance

ECB Recommendation to the Council of the European Union on the external auditors of Banka Slovenije

On 1 June 2012 the Governing Council adopted Recommendation ECB/2012/9 to the Council on the external auditors of Banka Slovenije. The Recommendation was published in the Official Journal of the European Union and is available on the ECB's website.

Chairmanship of the Committee on Controlling (COMCO)

On 6 June 2012 the Governing Council appointed Mr Pentti Hakkarainen, Deputy Governor of Suomen Pankki – Finlands Bank, as Chairman of COMCO (one of the Eurosystem/ESCB committees), with immediate effect. His term of office will expire on 31 August 2013, on the same date as the terms of office of all the other Eurosystem/ESCB committee chairpersons, who were (re-)appointed by the Governing Council on 22 July 2010.

Revised Good Practices for the selection and mandate of External Auditors according to Article 27.1 of the ESCB/ECB Statute

On 14 June 2012 the Governing Council approved a revised version of the "Good Practices for the selection and mandate of External Auditors according to Article 27.1 of the ESCB/ECB Statute", which were initially adopted in October 2008. The Good Practices, published on 22 June 2012 on the ECB's website, enable the Governing Council to ensure that its recommendations to the EU Council on the appointment of NCBs' external auditors are based on proper and harmonised selection criteria.

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

Central Bank Issues Warning on Investment Firm

22 June 2012

The Central Bank of Ireland today published a warning notice on Milestone AMG. This firm is not authorised as an investment firm in Ireland and has 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, 96 warnings naming 185 firms have been issued.

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

Central Bank Data on Financial Vehicle Corporations:

25 June 2012

The Central Bank today (25 June 2012) publishes Q1 2012 data on financial vehicle corporations (FVCs) resident in Ireland. The data follows on from the launch of the new data series in July 2012. The information contains detailed quarterly financial vehicle balance sheet data, with the greatest level of detail relating to holdings of securitised loans which have been originated by euro area MFIs. The data are compiled from asset and liability information, provided to the Central Bank on a vehicle-by-vehicle basis.

The data for Q1 2012 show that total assets reported by FVCs resident in Ireland continued to decline, falling to €480.7 billion. This continued to be driven by large net outflows of securities other than shares and securitised loans and of €11.5 billion and €3.4 respectively. These outflows were slightly offset by overall positive revaluations of €2.2 billion in Q1 2012. The fall in Irish FVC assets over the period was in line with the euro area trend, where total euro area assets fell by €56 billion to €2,227 billion. This decrease was mainly driven by outflows of €56 billion from debt securities issued. Ireland's share of total euro area assets continued to decline, falling from 22 % at the end of 2011 to 21.6% at the end of Q1 2012.

The main developments during Q1 2012 were:

- The largest component in the fall in Irish resident FVC assets during Q4 2011 was a net outflow of €11.4 billion in securities other than shares, with outstanding amount falling to €121 billion from €132.4 billion in the previous quarter. There was also an outflow in securitised loans of €3.4 billion, which for the most part was made up of loans originated by non-euro area residents, which fell by €2.5 billion. These outflows in addition to negative valuation changes saw the value of securitised loans fall from €230.3 billion at the end of 2011 to €226.4 billion at the close of Q1 2012.
- Deposit and loan claims had a negative outflow of €2 billion during the quarter while other securitised assets reported negative transactions of €1.2 billion. The residual other assets component was the only asset type which did not fall in value during Q1 2012. Other assets are comprised of financial derivatives, fixed assets and remaining assets.
- On the liabilities side, debt securities issued reported negative transactions of €18.8 billion, with the majority of this figure relating to debt securities with maturity of over 2 years. This lead to total outstanding debt securities issued standing at €350 billion at the end of Q1 2012, down from €369.1 billion at the close of 2011.
- In general, the annual growth rate of all asset categories continued to decline. This is most obvious for securities other than shares where the annual growth rate has fallen to minus 18.9% in Q1 2012, compared with minus 12.8% in Q4 2011. On the liabilities side, the annual growth rate of total debt securities continued to fall and was minus 16.7% in Q1

2012. Overall, the total annual growth rate for total FVC assets continues to decline, albeit at a slower rate when compared with Q4 2011, measuring minus 15.9% in Q1 2012.

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

Central Bank of Ireland Statement - Bloxham

Update 25 June 2012

The Central Bank notes that the High Court today appointed Kieran Wallace as Official Liquidator and, as required under Section 33A the Investor Compensation Act, 1998, Administrator to Bloxham stockbrokers

Statement 28 May 2012

Following a definite line of enquiry by the Central Bank, the management of Bloxham informed the Central Bank of financial irregularities at the firm after the market close, last Thursday.

At 5pm last Friday, the Central Bank imposed directions on Bloxham to cease all regulated activities, with immediate effect.

Early this morning, Bloxham agreed to transfer all private client and fund management business to Davy.

All former private clients of Bloxham are now clients of Davy (with the exception of a less than 1% who have elected to make other arrangements). These private clients should contact Davy on (01) 6119200 should they have any queries or wish to transact business.

The Central Bank will continue its own investigation into the financial irregularities at Bloxham.

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

Central Bank Seeks Views on Current Account Switching

25 June 2012

The Central Bank today published a Discussion Paper seeking views on the Code of Conduct on the Switching of Current Accounts (Switching Code). The Discussion Paper is part of the Central Bank's commitment to review the existing statutory Switching Code to establish whether it should be further enhanced or expanded to ease the switching process for consumers.

All banks providing current accounts in Ireland are subject to the Switching Code, which is designed to make the process of switching current accounts easier and quicker and to offer protection and support for consumers when switching bank account. The Switching Code places obligations and time limits on both the old and new bank when completing the switching process.

The Discussion Paper sets out the findings of the Central Bank's 2011 review of the operation of the Switching Code, including areas where enhancements may be required, and poses a number of questions regarding:

- potential barriers to switching;
- whether additional requirements are needed in relation to training of bank staff on switching;
- whether banks should be required to raise awareness of the switching process;
- ways to increase switching levels and reduce consumer inertia;
- whether consumers are kept informed during the switching process;
- whether current timeframes for completing the process are reasonable;
- who should be responsible for ensuring that the switching process works, particularly in relation to direct debit and credit transfers; and
- whether the Switching Code should be extended beyond current accounts.

The Discussion Paper is available to download from the Central Bank website. Interested parties are invited to respond to the questions posed in the paper by 30 September 2012.

Responses to the Discussion Paper will be published and will be used to inform a review of the Switching Code.

Further information: Press Office (01) 224 6299, press@centralbank.ie

ENDS

Notes to editors

The Code of Conduct on the Switching of Current Accounts (Switching Code) came into effect on 1 October 2010.

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

Notice for Ulster Bank Customers

25 June 2012

The Central Bank has been in contact with Ulster Bank at the highest level to press the bank to resolve the situation as quickly as possible and ensure that customers are treated fairly.

The Central Bank's concern is to ensure that all customers are supported and accommodated by Ulster Bank until the system is fully operational again and we have made this clear to Ulster Bank. At a meeting with Ulster Bank senior management today, the Central Bank emphasised the importance of clear communication and support to consumers. Ulster Bank reiterated its commitment to ensuring access to funds for customers through its branch network which will be open for extended hours. Ulster Bank has also committed to ensuring that no customer will be at a financial loss and to providing up-to-date and clear information to customers.

24 June 2012

The Central Bank is very concerned with the impact on customers caused by Ulster Bank's systems issues. We are closely monitoring the situation to ensure Ulster Bank resolves this as quickly as possible.

Regular updates, branches that will open, relevant telephone numbers and frequently asked questions are available on the Ulster Bank website.

Ulster Bank has confirmed that customers will not be financially impacted by this incident, however the current focus is to get all transactions processed and following that Ulster Bank will commence the process of refunding customers for any interest or fees and charges that have occurred as a result of this incident. Ulster Bank will also work with the Irish Credit Bureau to ensure that customer ratings are not impacted.

Where a customer is in hardship or requires funds they should contact Ulster Bank via the branch network or call centres. To allow Ulster Bank deal effectively with these customers we would hope that other customers continue to exercise patience and allow Ulster Bank time to resolve this issue and deal with these priority cases. Customers should retain details of all transactions and check online or against their next statement.

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

Fitness and Probity

28 June 2012

In June 2011, the Central Bank commenced a Review of the fitness and probity of all sitting directors of the six banks and building societies covered by the State guarantee. In respect of a small number of directors, the Central Bank investigated more thoroughly their individual roles and responsibilities during the period leading up to the present banking crisis.

This Review has now concluded. During the period of the Review over the last 12 months, many of the long-standing directors of the six institutions have resigned.

In respect of any directors who are to continue in their roles into 2012 and beyond, and who were in place prior to 2008, the Central Bank has concluded that, based on the evidence presently available to the Central Bank, it has no reason to suspect the fitness and probity of those individuals. In some cases this decision was taken internally within the Central Bank, and in others, the Central Bank sought an external opinion on the material available to the Central Bank. No further actions will be taken by the Central Bank at this time.

In respect of any directors of the institutions, including those whose tenure goes back to before 2008, the Central Bank will continue to carry out its role in respect of the supervision of the fitness and probity of those directors. Where any information comes to light to give the Central Bank reason to suspect that the Central Bank's standards may not be met by any individual director, then the Central Bank will commence to investigate that information in a thorough and comprehensive manner and take any action that may be warranted using the powers available to the Central Bank.

New applications to sit on the boards of any of these institutions which remain under the Central Bank's active supervision will required the applicants to establish, to the satisfaction of the Central Bank, that proposed directors meet the Central Bank's minimum standards of fitness and probity.

ENDS

Further information: Press Office (01) 224 6299, press@centralbank.ie

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

Central Bank Statement - Ulster Bank

28 June 2012

The Central Bank of Ireland is concerned by the unacceptable continuing delays by Ulster Bank in fully resolving its systems issues and the consequent impact on its customers. The Central Bank has been, and continues to be, in daily contact with Ulster Bank and its parent, Royal Bank of Scotland Group, since this issue first emerged on 20 June. The Deputy Governor met with Ulster Bank and RBS senior management earlier this week and spoke with the CEO of RBS earlier today to emphasise to him the importance of RBS addressing the continuing delays in resolving the technical issues which are impacting Ulster Bank customers.

The Central Bank is working with the UK Financial Services Authority and the Bank of England in investigating the root cause of the issue at the Group level and how this has impacted Ulster Bank's payment systems.

Central Bank of Ireland Publishes May 2012 Money and Banking Statistics

29 June 2012

The Central Bank of Ireland today published the May 2012 Money and Banking Statistics[1].

Loans and other credit

- Loans to households continued to decline during May 2012, and were 3.9 per cent lower on a year-to-year basis, following a decline of 4 per cent for the year ending April 2012. Lending for house purchase was 2.5 per cent lower on an annual basis in May 2012, while lending for consumption and other purposes declined by 7.7 per cent over the same period.
- Lending to households declined by €264 million during the month of May following a net monthly flow of minus €582 million in April. Developments in May were largely driven by a decrease in loans for house purchase of €242 million. Loans for other purposes also decreased, by €44 million, while loans for consumption increased by €21 million.
- The monthly net flow of loans to households averaged minus €338 million in the three months ending May 2012, which consists of average net flows of minus €163 million in loans for house purchase, minus €146 million in loans for consumption purposes, and minus €29 million in lending for other purposes.
- Lending to the non-financial corporate (NFC) sector declined by 2.1 per cent in the year ending May 2012, following an annual decline of 1.8 per cent in April 2012.
- On a monthly basis, loans to NFCs decreased by €338 million during May 2012, following a decrease of €326 million in April. The monthly net flow of loans to NFCs averaged minus €210 million in the three months ending May 2012, compared with an average of minus €153 million in the three-month period up to end-April 2012.
- Short-term loans to NFCs with an original maturity of up to one year, which includes the use of overdraft facilities, increased during May by €68 million, following an increase of €155 million in April. Medium-term NFC loans decreased in May 2012 by €301 million, whereas longer-term NFC loans also decreased, by €105 million.
- On an annual basis, longer-term NFC loans with an original maturity over five years fell by 1.8 per cent in May 2012. Short-term NFC loans continued to increase moderately, as loans with an original maturity up to one year grew by 3.6 per cent in the year ending May 2012.

Meanwhile NFC lending between one and five years original maturity declined by 7.2 per cent over the period.

- Credit institutions' holdings of debt and equity securities issued by the Irish private sector decreased by €87 million during the month of May, with an annual rate of change of minus 6.5 per cent. This follows a decline of 7.3 per cent for the year ending April 2012. Credit institutions' holdings of debt securities issued by other (non-bank) financial intermediaries (OFIs) decreased by 6.7 per cent on an annual basis in May 2012.

Deposits and other funding

- Irish resident private-sector deposits were 3 per cent lower on an annual basis at end-May 2012, compared with a decline of 3.4 per cent over the year ending April. Deposits from households were 0.3 per cent lower on an annual basis in May while deposits from NFCs declined by 3.3 per cent. Deposits from insurance corporations and pension funds (ICPFs) and OFIs fell by 7.9 per cent over the same period.
- There was a month-on-month decrease of €69 million in Irish resident private-sector deposits during May. Household and NFC deposits increased by €48 million and €43 million, respectively, while OFI/ICPF deposits decreased by €160 million during May.
- Private-sector overnight deposits decreased by €199 million during May 2012. Household sector overnight deposits decreased by €30 million during the month, while overnight deposits in the OFI and ICPF sectors also decreased, by €146 million and €118 million, respectively. The NFC sector registered an increase of €95 million in overnight deposits during May.
- Household deposits with agreed maturity up to two years increased by €164 million during the month of May. NFCs and ICPFs also increased their deposits in this category, by €28 million and €153 million, respectively. OFI deposits with agreed maturity up to two years decreased by €219 million, during the month.
- Private-sector deposits from non-residents increased by €670 million during May 2012, predominantly reflecting developments in the IFSC-based banks. There was an increase of €459 million in deposits from other euro area private-sector residents during the month, while private-sector deposits from non-euro area residents increased by €211 million. Total non-resident private-sector deposits were 2.9 per cent lower on an annual basis at end-May 2012, with deposits from other euro area private-sector entities 5.6 per cent lower, and those from the non-euro area private sector 1.2 per cent lower.
- Total deposits from other euro area residents, including deposits from MFIs, general government and the private sector, fell by €245 million during May. Total deposits from non-euro area residents increased by

€892 million during May, which mostly related to an increase in deposits from affiliated MFIs.

- Credit institutions' borrowings from the Central Bank as part of Eurosystem monetary policy operations fell by €1.7 billion in May 2012. The outstanding stock of borrowings from the Eurosystem by Irish resident credit institutions amounted to €88 billion at end-May. Domestic market credit institutions[2] accounted for €75 billion of this total outstanding stock - a month-on-month decrease of €1.5 billion.
- 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-May 2012, the outstanding amount of these bonds was €13 billion.

[1] Money and Banking statistics are compiled in respect of business written out of all within-the-State offices of both credit institutions authorised to carry on banking business in the State under Irish legislation and credit institutions authorised in other Member States of the EU operating in Ireland on a branch basis. Credit institutions authorised in other EU Member States operating in Ireland on a cross-border basis, i.e., with no physical presence in the State, are not included in the statistics

[2] Domestic market credit institutions are those who have a significant level of retail business with Irish households and NFCs, and would exclude the more internationally focused banks in the IFSC.

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