Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

Press Releases

July – December 2012

Central Bank of Ireland – July-December 2012

Central Bank Reports on Latest Inspection into the sale of Payment Protection Insurance

2 July 2012

The Central Bank today released the findings of its latest inspection as part of the on-going investigation of the sale of Payment Protection Insurance (PPI). The inspection[1] has raised concerns in relation to the sale of PPI and, as a result, the Central Bank is requiring the seven firms inspected to conduct a comprehensive review of all their PPI sales from August 2007 to date.

Director of Consumer Protection, Bernard Sheridan, said: "The Central Bank has met with, and written to, the inspected firms requiring them to conduct a detailed review of all their PPI sales from August 2007 to date. This will be overseen by an independent third party. In advance, we are requiring these firms to submit detailed plans for how they will conduct their review, including contacting affected consumers and making refunds where necessary. We will carefully assess their plans and put in place monitoring arrangements to ensure that all firms take a fair and consistent approach to their review.

The Central Bank is also currently considering possible enforcement actions in respect of a number of firms as a result of this inspection due to our concerns regarding the level of compliance with the requirements of the 2006 Code. We will be contacting the firms concerned directly in due course."

The Central Bank's main concerns arising from the inspection are:

- Firms not gathering sufficient information to enable them to determine whether the product sold was suitable for the consumer;
- Firms treating certain sales as 'execution only' without complying with the relevant requirements of the 2006 Code;
- The timing of the provision of key information to consumers by firms;
- Failure to bring key information on policies explicitly to the attention of individual consumers; and
- Poor record keeping and incomplete files.

[1] The inspection related to PPI sales where claims for unemployment/ redundancy were declined due to claimants' employment status. Claims were made during period January 2010 – June 2010, where policies were sold after August 2007.

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

Central Bank Publishes New Research on Firm Loan Default

5 July 2012

The Central Bank of Ireland today publishes new economic research on "Determinants of default: Evidence from a sector-level panel of Irish SME loans" The paper examines the changes in loan default rates for Irish Small and Medium Enterprises (SMEs) over the period from 2008 to 2010. This work was presented as part of the Central Bank's conference on the SME lending market, held earlier this year.

This paper documents the evolution of SME loan performance over a three-year period using data on the quality ratings attached to the loans. The loan information is aggregate up to the level of sectors in order to compare the changes in loan performance with other economic indicators. We show that the impact of real economy developments and excess credit during the boom are used to explain the shares of performing and impaired loans.

The economic crisis has resulted in a broad-based decline in the quality of outstanding SME loans, but a considerable degree of variation is found to exist across sectors. In particular, the construction and hotels and restaurant sectors are found to be the most at risk of loan impairment, whereas agriculture performs relatively well.

Changes in employment across sectors are shown to be strongly linked to loan performance, demonstrating the importance of the link between real economy demand and loan impairment.

The presence of excess or bubble credit accumulated during the pre-2008 boom is also an important factor associated with higher levels of current impairment. A measure of excess credit during the boom is also shown to be strongly associated with higher levels of current impairment. This provides the intuitive finding that the larger the credit expansion in good times, the larger the loan impairment in bad times.

This highlights the extent to which debt overhang can be a drag on the banking system even if economic conditions more generally improve. This has consequences for the banks' ability to extend new credit to the SME sector, as well as the borrowers' ability to invest and grow.

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

Central Bank Publishes New Research on Firm Finance in Europe

5 July 2012

The Central Bank of Ireland today publishes new economic research on "Firm credit in Europe: A tale of three crises", examining the effects of the recent euro area economic, financial and debt crisis on firms' access to bank finance. This work was presented as part of the Central Bank's conference on the SME lending market, held earlier this year.

The paper uses survey evidence on funding of small and medium enterprises across the euro area carried out by the European Central Bank at six-monthly intervals. Firms are questioned on how their demand for credit has changed, if they have been successful in applying for a bank loan and if the terms and conditions attached to their loans have changed.

Because the survey is carried out across a number of countries, the research can examine how specific economy-level factors drive the crisis-era shifts in credit supply and demand.

The main finding is the highly significant impact of debt overhang on all aspects of SME financing (including loan rejection rates and credit terms and condition, and also demand for loans). This suggests that countries with the largest accumulated pre-crisis debt levels are facing more credit rationing and tightened supply-side conditions.

We also show that deterioration in GDP growth affects demand for credit, but does not have a significant effect in reducing credit supply or on tightening terms and conditions. However, sovereign bond yields and indicators of the banks' own cost-of-credit affect both the quantity of credit supplied to firms as well as the terms and conditions of finance. Therefore, the real economy downturn and the financial crisis appear to be affecting firm credit developments through different channels.

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

Central Bank Data on Investment Funds: Q1 2012

6 July 2012

The Central Bank today publishes statistics for Q1 2012 on investment funds (IFs) resident in Ireland. Irish resident IFs expanded strongly in Q1 2012, driven by performing global equity markets and apparent expanding investor confidence evident in new subscriptions. When reclassifications are excluded, IFs, measured by total shares/units in issue, increased in value to €819.8 billion at end Q1 2012, up from €768.7 billion at end Q4 2011. This increase is accounted for by revaluations of €34.9 billion and positive net transactions of €16.2 billion.

Aggregate IF data contains revisions back to Q1 2010 and reclassifications in Q4 2010 and Q1 2012. The revisions mainly relate to information made available through the Funds Annual Survey of Liabilities, which measures the sectoral and geographical distribution of shares/units in issue. The annual survey is conducted in Q2 of each year. The impact of each annual survey was previously fully reflected in Q2 only, but now year-on-year changes are smoothed into the quarterly numbers to better reflect the nature of these changes. Notable shifts in ownership patterns became evident in the most recent annual survey, for example, €29 billion moved from other monetary union to the rest of the world in Q1 2012. Improvements in the recording of repurchase agreements saw shifts within asset holdings of €20.3 billion in Q1 2012 (€15.7 billion in Q4 2011) from securities other than shares to deposits and loans. An improvement in the recording of reverse repos has led to a balance sheet increase of €4.1 billion in Q1 2012. This is recorded in securities other than shares on the asset side and loans and deposits on the liability side respectively. Securities other than shares declined by €16.2 billion in net terms in Q1 2012 as a result of these data improvements.

Activity in Irish IFs broadly reflects the trend of activity throughout the euro area, showing both strong asset recovery and modest net inflows. Total shares at issue in the euro area rose from €5,662 billion to €6,068 billion, an increase of 7.1 per cent, slightly exceeding overall growth in Irish IFs, which amounted to 6.6 per cent. European IF shares/units in issue showed net inflows of €94.5 billion, or 1.6 per cent of the Q4 2011 end position, with Irish domiciled IFs showing slightly higher relative inflows of €16.2 billion or 2.1 per cent.

Irish IFs are owned mainly by non-residents, with 26 per cent held by other euro area residents and 68 per cent held by those outside the euro area and just 6 per cent owned by Irish residents. This breakdown reflects a significant move in ownership away from euro area residents to the rest of the world over recent quarters. Similarly most assets owned by Irish resident IFs are domiciled outside the state. When unclassified assets are excluded, just 9.4 per cent of capital is invested in Irish assets, 13.5 per cent invested in the rest of the euro area and 77.1 per cent invested outside the euro area.

The composition of assets within IFs displays some items of note. A renewed interest in corporate paper was evident, particularly relating to the banking sector, and may reflect the impact of the availability of ECB three year loans to banks announced in December 2011. This positive sentiment extended to non-euro area banks, with UK banks experiencing positive inflows of €13.3 billion compared to inflows of €9 billion for euro area banks. The higher figure for the UK may be partially accounted for by rebalancing from sovereign to corporate bonds as UK government bonds experienced an outflow of €3.7 billion, to close at €50.1 billion, alongside upward revaluations of €0.7 billion. UK banks' participation in ECB operations, through their subsidiaries and branches, is also likely to have contributed to investor confidence.

There was a movement out of US sovereign bonds, amid net outflows of €2.1 billion and negative revaluations of €3 billion, to close at €45 billion, or 5 per cent of all investments. These negative US revaluations in euro terms were partly driven by the euro depreciating by 2.8 per cent relative to the US dollar over Q1 2012. German government bonds experienced positive net inflows of €0.9 billion and account for €17.4 billion of bond assets, but holdings still remain low relative to UK and US government bond assets. Holdings of Spanish sovereign bonds experienced outflows of €0.2 billion and remained small at €1.3 billion, whilst holdings of Italian sovereign bonds experienced inflows of €0.2 billion, to close at €5.7 billion.

Investment Funds by Category

All fund categories performed positively during Q1 2012, boosted by apparent expanding investor confidence. It is an interesting indicator of lingering investor caution to note that new subscriptions did not follow performance over this or the previous quarter, with new investors favouring supposedly less volatile bond funds over strongly performing equity funds.

Equity Funds, which account for €278.8 billion of shares/units in issue, experienced very positive revaluations of €21.4 billion, or 8.4 per cent from Q4 2011. This is the second quarter in a row that significant positive revaluations have impacted equity funds, reflecting rises in prices on global equity markets. However, despite revaluations that denote the highest performance over the quarter of all fund types, net inflows were relatively small at just €2.8 billion. This broadly coincides with the performance of equity funds across Europe.

Bond Funds, which account for €320.7 billion of shares/units in issue, and are therefore the largest fund category, experienced minor positive revaluations of €1.7 billion, but mostly benefitted from increased confidence in bonds by recording significant new investment of €12 billion, the highest relative inflow of any category.

Hedge Funds, which account for €73.2 billion of shares/units in issue, also benefitted from positive revaluations and net inflows. Revaluations at €3 billion, or 4.4 per cent, were not as marked as for equity funds or remaining funds, perhaps due to hedge funds assuming short positions during recovery, but still outstripped those of bond funds. Hedge funds attracted €1.3 billion of additional investment during Q1 2012.

Remaining Funds, which account for €147 billion of shares/units in issue, consist primarily of mixed funds, but also include real estate and other unclassified funds. This category has performed positively in Q1 2012, second only to equity funds in terms of revaluations, with asset growth of €8.9 billion or 6.4 per cent. Remaining funds were the strongest performing category in Q4 2011, and despite a continued resilient performance, the category attracted negligible net new investment of €0.1 billion.

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

Statement – Newbridge Credit Union

9 July 2012

The High Court today extended the term of appointment of the special manager of Newbridge Credit Union for six months, after an application by the Central Bank.

The special manager will continue to oversee the running of Newbridge Credit Union with a view to strengthening the financial position of the credit union.

Since being appointed by the Central Bank on 13 January 2012, the special manager has completed a review of the credit union’s loan portfolio, prepared a viability plan for the credit union, and made a series of improvements to the credit union’s systems, controls, governance and lending practices.

The extension of the special manager’s appointment has no effect on the continuing day-to-day operations of Newbridge Credit Union. Newbridge Credit Union’s members can access their funds and transact on their accounts as normal. 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.

Central Bank Inspection Identifies Poor Best Execution Practices in Investment and Stockbroking Firms

10 July 2012

The Central Bank today published the outcome of a themed inspection into best execution in investment and stockbroking firms subject to the MiFID Regulations[1].

When investment and stockbroking firms purchase or sell financial products on behalf of their retail and professional clients, they are required to do so on a best execution basis. This means that they must take all reasonable steps to get the best possible result for their clients taking account of the price, speed, costs (commissions/fees), size of the order and other relevant factors. Firms must ensure that the information provided to clients is of a sufficient quality for the client to make a properly informed decision about whether to use the investment services offered by the firm.

The inspection raised a number of issues in relation to the best execution practices in the firms reviewed. As a result the Central Bank is requiring those firms to review their best execution arrangements.

Director of Consumer Protection, Bernard Sheridan said: ‘Clients must have confidence that investment and stockbroking firms will act in their best interest at all times, and will have arrangements in place to ensure that all reasonable steps are taken to deliver the best possible result for them. Best execution is a crucial aspect of client protection. It is important that the highest standards of due care and diligence are followed by a firm when carrying out orders for clients.’

The inspection was conducted in two parts. Initially a desk based review examined the best execution policies and procedures of 32 investment and stockbroking firms with retail clients. Best execution policies are important as they set out the firm’s decision making process in selecting an appropriate means of trading each client order. These policies must detail how client orders are executed fairly and promptly. Following this initial review, the Central Bank followed up by inspecting three firms to examine how their policies were implemented in practice.

The main issues identified by the Central Bank are:

Desk based review

In general, firms’ policies were generic in nature and were not specifically tailored to their individual business activities;

More than one third of firms did not highlight in their policies that the total cost of a transaction is the main factor in determining the best possible result for their retail clients;

In their communications with clients, more than three quarters of firms did not provide retail clients with sufficient information regarding their policies. In particular, they did not set out important information regarding how and where trades would be effected.

Onsite Inspections

Differences were identified between firms' policies and how they were applied in practice;

In a number of cases, firms had difficulty in providing sufficient evidence in order to demonstrate that they had followed their best execution policy;

Firms did not carry out sufficient monitoring to ensure that transactions complied with their policies;

Firms did not maintain evidence of how they monitored on a regular basis the effectiveness of venues and entities used for execution.

[1] The European Communities (Markets in Financial Instruments) Regulations, 2007

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

Central Bank Statement - Ulster Bank

11 July 2012

The Central Bank continues to monitor the work being undertaken by Ulster Bank to ensure that all outstanding issues affecting customer accounts are resolved as quickly as possible. The Central Bank notes the progress that has been made to date but that further work is needed in order to ensure restoration of all accounts. The Central Bank is requiring Ulster Bank to develop a comprehensive restitution programme for all affected customers.

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

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

11 July 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-May 2012. The dataset contains information on the volume of bonds and notes issued during May, as well as the market valuation of outstanding equity shares by sector of issuer at end-May. The sectors of the issuers are: banks; other financial intermediaries; Government; non-financial corporates; and insurance companies and pension funds.

Overview:

- At end-May 2012, the outstanding amount of debt securities issued by Irish financial and non-financial firms, and the Government rose slightly to €1.03 trillion. This represents a year-on-year 1 per cent reduction. This contrasts with an annual growth rate of 4 per cent across the euro area.
- Equity shares outstanding had a value of almost €185.5 billion at end-May[1]. This includes quoted shares issued by Irish residents (€185 billion) which saw a year-on-year net increase of 12 per cent (see Figure 2) which is at least partially attributable to the incorporation of international holding companies in Ireland. In contrast, the equivalent figure for euro area residents fell by 20.8 per cent over the same period.
- Market-based debt financing for the banking sector continued to contract during May with redemptions of more than €1.5 billion. The outstanding amount of debt securities for this sector saw a year-on-year fall of 28 per cent.

Government Debt Issuance:

- The outstanding value of long-term Government debt remained at €83.2 billion at end-May[2].
- This represents a year-on-year decrease of approximately 7 per cent when compared with May 2011 (€89.7 billion).
- €17.9 billion (or 22 per cent) of euro-denominated long-term debt will fall due over the next 3 years (Table 1), 17 per cent of which is payable to non-resident investors (Table 2).

Holdings of Government Bonds:

- At end-May 2012, Irish resident investors accounted for 27 per cent of long-term Irish Government bonds compared with 17 per cent in May 2011.
- The Irish banking sector accounted for a significant portion of this increase. 20 per cent of all holdings at end-May 2012 (or €16.7 billion) were held by the Irish banking sector, compared with 14 per cent in May 2011.
- Holdings by Irish financial intermediaries had increased substantially in April. The bond used in settlement for the promissory note due to IBRC was initially financed with a collateralised facility from NAMA (OFI sector) as an interim measure[3].
- Detailed historical information from 1969 on the Securities Holdings Statistics are published here.

Banking Sector:

- Market-based debt financing for the banking sector continued to contract during May. The outstanding amount of debt securities saw a year-on-year fall of 28 per cent with short-term debt contracting by almost 50 per cent. Over the same period, the total outstanding amount of debt securities for the euro area increased by 3.9 per cent.
- €36.9 billion, or 39 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 49 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 issues of approximately €20.1 billion in May 2012. This compares to net redemptions of €2.5 billion in April and net issues of €17.4 billion in March.
- The total outstanding amount of debt securities rose to €848.7 billion – a 4 per cent increase year-on-year – with long-term debt securities accounting for €796.7 billion (or 94 per cent) of this total. The annual rate of change of outstanding debt securities across the euro area was 4.1 per cent over the same period.
- Approximately €99 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 (19 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 €2.9 billion and €2.5 billion, respectively, at end-May 2012; in the case of NFCs, this equated to a 2 per cent decrease year-on-year. The annual growth rate of outstanding debt securities for NFCs resident in the euro area was 11.2 per cent.
- Approximately €647 million (or 23 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 decreased by €6.4 billion in May although the outstanding amount is still 9 per cent higher when compared to May 2011. The annual change in quoted equity securities for NFCs in the euro area was a reduction of 17.8 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] Equity data for previous months have been revised following the reclassification of securities between instrument types.

[2] Refers to debt securities in all currencies

[3] It was intended that Bank of Ireland would ultimately finance this long-term Government bond and shareholders approved a motion in support of this transaction in June 2012.

[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.

Retail Interest Rate Statistics: May 2012

13 July 2012

The Retail Interest Rate Statistics[i] 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[ii]. Interest rates on new business volumes cover all new loan and deposit business agreed during the month2. 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[iii].

Households

Loans to Households

- Interest rates on outstanding loans to households for house purchases fell slightly in May 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-May 2012. This was 2 basis points lower than at end-April 2012 and 44 basis points below the rate reported at end-September 2011.
- The corresponding rate reported by all credit institutions resident in the euro area was higher, at 3.77 per cent at end-May 2012, having fallen by just 14 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 increased slightly in May 2012, to a weighted average rate of 5.88 per cent, from 5.87 per cent at end-April. 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, increased by 4 basis points during the month to 8.68

per cent at end-May. The equivalent rate reported by all credit institutions in the euro area was lower, at 7.95 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 4.14 per cent at end-May, compared to a rate of 5.16 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 slightly in May 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 3.04 per cent in May 2012, compared with 3.05 per cent in April. 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 around 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 May 2012 was 3.14 per cent.
- The weighted average interest rate on new loans to households for non-housing purposes increased in May 2012 to 7.27 per cent, from 6.81 per cent in April. New business volumes in this instrument category have been very low for the past year, averaging around €240 million per month. As a result, the interest rate series tends to be volatile.

Deposits from Households

- Interest rates on outstanding household term deposits fell slightly in May 2012, at an aggregate level. The weighted average interest rate on household deposits with agreed maturity up to two years decreased by 2 basis points, to 3.66 per cent at end-May 2012. However, interest rates on deposits with agreed maturity over two years increased by 3 basis points during the month, to 2.54 per cent.
- Interest rates on household term deposits have increased significantly over the past eighteen months, 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 with 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 74 basis points in this rate, to 3.52 per cent, while the current euro area rate is 2.77 per cent, reflecting a more moderate increase of 31 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[iv]. At end-May 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 interest rates for both instrument categories.

- In relation to new deposit business, interest rates on household term deposits fell in May 2012, to a weighted average rate of 2.31 per cent, compared with 2.42 per cent in April.

Non-Financial Corporations (NFCs)

Loans to NFCs

- Interest rates on outstanding loans to NFCs issued by Irish resident credit institutions continued to fall during May 2012. The weighted average interest rate on all outstanding NFC loans was 3.36 per cent at end-May, compared with 3.39 per cent at end-April. The equivalent rate at euro area level was 3.63 per cent at end-May.
- 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-May 2012. The weighted average interest rate on these longer-term loans was 3.23 per cent, while the rates on short-term and medium-term loans[v] were 3.77 per cent and 3.16 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 4.72 per cent in May 2012, reflecting an increase of 17 basis points compared with April. The equivalent rate reported by euro area credit institutions for May 2012 was 4.16 per cent. For loans over €1 million, the rate reported by Irish resident credit institutions also increased in May, to an average rate of 3.18 per cent, compared with an equivalent euro area rate of 2.64 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 rate on outstanding NFC term deposits remained at 3 per cent for end-May 2012. 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-May 2012, also unchanged from end-April. The equivalent rate at euro area level at end-May 2012 was 1.91 per cent, a fall of 5 basis points from end-April 2012.

- With regard to new deposit business, the weighted average interest rate on new NFC term deposits was 1.59 per cent in May 2012 – a fall of 9 basis points from April 2012. Over the same period, the equivalent rate for the euro area fell by 11 basis points, to 1.05 per cent in May 2012.

[i] Recent data are often provisional and may be subject to revision. The extensive set of Retail Interest Rate Statistics tables and Retail Interest Rate Statistics Explanatory Notes, are available on the Central Bank of Ireland website.

[ii] 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.

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

[iv] 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.

[v] 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.

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

20 July 2012

Market operations

Temporary measures relating to the eligibility of certain additional asset-backed securities as Eurosystem collateral

On 28 June 2012 the Governing Council adopted Decision ECB/2012/11 amending Decision ECB/2011/25 on additional temporary measures relating to Eurosystem refinancing operations and eligibility of collateral. The amendment extends the eligibility criteria for asset-backed securities to be accepted as eligible collateral in Eurosystem monetary policy operations. The Decision was published on the same day on the ECB's website.

Measures relating to the eligibility of government guaranteed bank bonds as Eurosystem collateral

On 3 July 2012 the Governing Council adopted Decision ECB/2012/12 amending Decision ECB/2011/25 on additional temporary measures relating to Eurosystem refinancing operations and eligibility of collateral. The amendment freezes the prevailing levels of own-used government guaranteed bank bonds and requires ex ante approval by the Governing Council of a request accompanied by a funding plan for any subsequent request to increase such levels. The Decision was published on the same day on the ECB's website.

Compliance 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 from use as Eurosystem credit assessment framework (ECAF) sources until compliance is achieved. Further to this decision, on 5 July 2012 the Governing Council decided to exclude the following rating tools from use as ECAF sources for the time being: ICAP, Coface Serviços Portugal and Cerved.

Acceptance of the third wave 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, on 5 July 2012 the Governing Council approved the framework for additional credit claims (ACC) proposed by the Bank of Greece, as well as the extensions of the ACC frameworks proposed by the Central Bank of Cyprus, the Banco de Portugal and the Banca d'Italia. More detailed information on these frameworks will be made available on the websites of the ECB and the respective NCBs.

Implementation of the loan-level data reporting requirements for asset-backed securities

On 5 July 2012 the Governing Council decided to implement loan-level data reporting as a collateral eligibility requirement for asset-backed securities (ABSs) in the Eurosystem collateral framework. There will be a transition period of nine months, in total, before full compliance with the reporting standards applicable to the loan-level reporting templates needs to be achieved. The transition period will apply from the dates on which reporting becomes mandatory for each ABS asset class. The Governing Council also decided on effective starting dates for reporting loan-level data for residential mortgage-backed securities, for securitisations of loans to small and medium-sized enterprises and for commercial mortgage-backed securities, as well as for auto loan ABSs, consumer finance ABSs and leasing ABSs. More detailed information is provided in a press release published on the ECB's website on 6 July 2012.

Enhanced transparency for data on operations

On 6 July 2012 the Governing Council decided that the ECB will publish information on collateral on a quarterly basis and in the form of data tables and charts. This information is currently provided in the ECB's Annual Report and comprises the collateral eligible for use in Eurosystem operations broken down by asset group; over-collateralisation levels; and posted collateral broken down by asset group. The first release of these data is intended to take place in September 2012.

Collateral eligibility of bonds issued or guaranteed by the Greek government

Due to the expiration on 25 July 2012 of the buy-back scheme for marketable debt instruments issued or fully guaranteed by the Hellenic Republic, these instruments will become for the time being ineligible for use as collateral in Eurosystem monetary policy operations. In line with established procedures, the Governing Council will assess their potential eligibility following the conclusion of the currently on-going review, by the European Commission in liaison with the ECB and the IMF, of the progress made by Greece under the second adjustment programme. The related press release and legal act (Decision ECB/2012/14) were published on the ECB's website on 20 July 2012.

Payment and settlement systems

TARGET2-Securities Guideline

On 19 July 2012 the Governing Council adopted Guideline ECB/2012/13 on TARGET2-Securities (recast). The Guideline will be published shortly in the Official Journal of the European Union and on the ECB's website.

Appointment of members of the T2S Board

On 19 July 2012, in accordance with Decision ECB/2012/6 on the establishment of the TARGET2-Securities Board, the Governing Council appointed the members of the T2S Board, which is due to start operating immediately under the chairmanship of Mr Jean-Michel Godeffroy. The composition of the T2S

Board was announced in a related press release published on 19 July 2012 on the ECB's website.

Financial stability and supervision

Eurosystem reply to the Commission's Green Paper on shadow banking

On 5 July 2012 the Governing Council approved the Eurosystem reply to the Commission's public consultation on the Green Paper on shadow banking. The Eurosystem reply, which was immediately transmitted to the European Commission, was published the next day on the ECB's website.

Advice on legislation

ECB Opinion on bank recapitalisation in Slovenia

On 21 June 2012 the Governing Council adopted Opinion CON/2012/48 at the request of the Slovenian Ministry of Finance.

ECB Opinion on the Magyar Nemzeti Bank

On 28 June 2012 the Governing Council adopted Opinion CON/2012/49 at the request of the Hungarian Ministry for the National Economy.

ECB Opinion on the Central Bank of Cyprus Laws of 2002 to 2007

On 11 July 2012 the Governing Council adopted Opinion CON/2012/51 at the request of President of the Cypriot House of Representatives.

ECB Opinion on new measures strengthening supervision and enforcement in financial regulation in Ireland

On 16 July 2012 the Governing Council adopted Opinion CON/2012/52 at the request of the Irish Department of Finance.

ECB Opinion on the bank levy and contributions to the deposit guarantee scheme in Slovakia

On 16 July 2012 the Governing Council adopted Opinion CON/2012/53 at the request of the Slovak Ministry of Finance.

ECB Opinion on certain old banknotes ceasing to be legal tender in Sweden

On 17 July 2012 the Governing Council adopted Opinion CON/2012/54 at the request of Sveriges Riksbank.

ECB Opinion on the strengthening of financial supervision and establishment of a financial stability committee in Germany

On 17 July 2012 the Governing Council adopted Opinion CON/2012/55 at the request of the German Federal Ministry of Finance.

Statistics

Adjustment of the monetary aggregates

On 5 July 2012 the Governing Council approved the adjustment of (i) the monetary aggregates, by excluding repo operations conducted via central counterparties (CCPs) from the M3 component position "repurchase agreements placed by OFIs"; and (ii) of the credit aggregates, by excluding reverse repo operations conducted via CCPs from the M3 counterpart position "loans to OFIs". The first release of the adjusted statistics will take place at the end of September 2012 with the release of the monetary data for August 2012.

Corporate governance

Opinion of the ECB Governing Council on a Council recommendation on the appointment of a member of the Executive Board of the ECB

On 18 July 2012 the Governing Council adopted Opinion CON/2012/56 at the request of the President of the European Council. The opinion was published on 19 July 2012 on the ECB's website.

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

Central Bank of Ireland Publishes Irish Responses to the July 2012 Euro Area Bank Lending Survey

25 July 2012

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

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

Central Bank of Ireland Issues Warning on Investment Firm Epsilon Capital Management (Switzerland)

31 July 2012

The Central Bank of Ireland today published a warning notice on Epsilon Capital Management (Switzerland). 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, 97 warnings naming 186 firms have been issued.

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

Central Bank of Ireland Publishes June 2012 Money and Banking Statistics

31 July 2012

The Central Bank of Ireland today published the June 2012 Money and Banking Statistics[1]

Loans and other credit

- Loans to households increased marginally during the month of June 2012, but were 3.7 per cent lower on an annual basis, following a decline of 3.9 per cent for the year ending May 2012. Lending for house purchase was 2.2 per cent lower on an annual basis in June 2012, while lending for consumption and other purposes declined by 7.9 per cent over the same period.
- Lending to households rose by €55 million during the month of June 2012, following a net monthly flow of minus €264 million in May. Developments in June were mostly driven by an increase in loans for house purchase of €94 million. Loans for consumption purposes fell by €15 million, while loans to households for other purposes declined by €24 million.
- The monthly net flow of loans to households averaged minus €283 million in the three months ending June 2012, which consists of average net flows of minus €112 million in loans for house purchase, minus €132 million in loans for consumption purposes, and minus €40 million in lending for other purposes.
- Lending to Irish non-financial corporations (NFCs) declined by 2.9 per cent in the year ending June 2012, following an annual decline of 2.1 per cent in May 2012.
- On a monthly basis, loans to NFCs decreased by €399 million during June, following a decrease of €338 million in May. The monthly net flow of loans to NFCs averaged minus €354 million in the three months ending June 2012, compared with an average of minus €209 million in the three-month period up to end-May 2012.
- Short-term loans to NFCs with an original maturity of up to one year, which includes the use of overdraft facilities, decreased during June by €571 million. This followed an increase of €68 million in May, and is the first month-on-month decline in this category of NFC loans since January 2012, and the largest such decline since April 2009. Medium-term NFC loans decreased in June 2012 by €267 million, whereas longer-term NFC loans rose by €439 million.
- On an annual basis, longer-term NFC loans with an original maturity over five years fell by 0.5 per cent in June 2012. Short-term NFC loans continued to increase, albeit at a much slower pace, as loans with an

original maturity up to one year grew by 0.2 per cent in the year ending June 2012. Meanwhile NFC lending between one and five years original maturity declined by 8.4 per cent over the period.

- Credit institutions' holdings of debt and equity securities issued by the Irish private sector decreased by almost €2.6 billion during the month of June 2012, with an annual rate of change of minus 10.9 per cent. This follows a decline of 6.5 per cent for the year ending May 2012. The decline in holdings of private-sector securities during June reflects developments in holdings of equity in insurance corporations and pension funds (ICPFs) and holdings of debt securities issued by other non-bank financial intermediaries (OFIs), both of which fell by €1.3 billion.

Deposits and other funding

- Irish resident private-sector deposits were 2.5 per cent lower on an annual basis at end-June 2012, compared with a decline of 3.1 per cent over the year ending May. Deposits from households were 0.4 per cent lower on an annual basis in June, while deposits from NFCs declined by 1.1 per cent. Deposits from ICPFs and OFIs fell by 7.9 per cent over the same period.
- There was a month-on-month decrease of €3.2 billion in Irish resident private-sector deposits during June. This decline was dominated by developments in repo deposits vis-à-vis OFIs, which fell by €2.8 billion during the month as positions entered into in April 2012 were, as expected, unwound. This repo position with an entity in the OFI sector was replaced by a similar arrangement between credit institutions. Household deposits increased by €120 million during the month of June 2012, while NFC deposits decreased by €38 million.
- Private-sector overnight deposits increased by €300 million during June 2012. Household sector overnight deposits rose by €261 million during the month, while overnight deposits from the NFC and ICPF sectors also increased by €396 million and €29 million, respectively. Overnight deposits from OFIs registered a decrease of €387 million during June.
- Household deposits with agreed maturity up to two years increased by €53 million during the month of June 2012, the smallest increase in this category in recent months. Deposits in this category from other Irish private-sector entities fell during the month, with NFC deposits being €433 million lower, ICPF deposits being €314 million lower, and OFI deposits being €1.6 billion lower. These non-household movements in deposits with agreed maturity up to two years in part reflected shifts into the longer-term deposits with agreed maturity over two years.
- Private-sector deposits from non-residents declined by €1.5 billion during June 2012, predominantly reflecting developments in the IFSC-based banks and deposits at these banks by affiliated companies overseas. There was a decrease of €444 million in deposits from other euro area private-sector residents during the month, while private-

sector deposits from non-euro area residents fell by €1.1 billion. Total non-resident private-sector deposits were 6.5 per cent lower on an annual basis at end-June 2012, with deposits from other euro area private-sector being 7.8 per cent lower, and those from the non-euro area private sector 5.6 per cent lower.

- Total deposits from other euro area residents, including deposits from MFIs, general government and the private sector, rose by €5.6 billion during June 2012, driven by deposits from affiliated credit institutions in other Member States. Total deposits from non-euro area residents decreased by €1.1 billion during June, which were entirely related to private-sector developments mentioned above.
- Credit institutions' borrowings from the Central Bank as part of Eurosystem monetary policy operations rose by €248 million in June 2012. The outstanding stock of borrowings from the Eurosystem by Irish resident credit institutions amounted to €88.3 billion at end-June. Domestic market credit institutions[2] accounted for €75.8 billion of this total outstanding stock - a month-on-month increase of €334 million.
- 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-June 2012, the outstanding amount of these bonds was €12.95 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.

Central Bank of Ireland Quarterly Bulletin 3 2012

31 July 2012

The Central Bank of Ireland today published Quarterly Bulletin 3 2012.

Comment

The external environment continues to be very challenging. In Europe, the last quarter has seen further strains in financial markets followed by reforms to the region's policy making framework. These initiatives, however, while focussing on the key issues, have not succeeded in resolving market concerns. These persistent strains in financial markets not only have direct implications for the financing of governments and banks, they are also damping down internal demand in Europe, through their impact on consumer and investor confidence. This is limiting the prospects for economic recovery, both in Europe and, given the small and very open nature of the economy, in Ireland also. So, while the outcome of the most recent EU Summit was favourable in that it recognised the need to address the burden of Ireland's banking-related debt, the wider environment has not improved to the extent that would have been hoped for.

The latest domestic National Accounts data point to an increase of 1.4 per cent in GDP last year, alongside a fall of 2.5 per cent in GNP. The large gap between GDP and GNP growth reflected the export-led nature of growth, perhaps combined with a technical correction from unexpectedly strong GNP data the previous year. With the impulse to growth from the external side forecast to slow and the contraction in domestic demand moderating, the disparity between GDP and GNP growth will likely reduce this year. For 2012 as a whole, real GDP growth is projected to slow to about 0.7 per cent, while the contraction in GNP is forecast to moderate to about 0.3 per cent. The outlook for next year is for GDP growth to pick up to about 1.9 per cent, against the background of some recovery in external demand and a broadly stable outlook for domestic demand. GNP is forecast to rise by about 0.9 per cent in real terms next year.

Despite the difficult external environment and continued sluggishness domestically, good progress is being maintained on the principal policy issues. For example, the banking sector has been somewhat less affected to date by external developments than might have been expected. Deposit flows have been broadly neutral for some time now despite the turbulent conditions on financial markets. The dependence of those banks serving the domestic market on central bank funding has actually tended to decline slightly, although it remains elevated. Banks are also continuing to adjust their balance sheets through deleveraging, both by the outright sale of loan portfolios and by the running off of existing loan facilities. Employment levels in the sector as well as the extent of branch networks have begun to contract as the sector moves towards a configuration that is more sustainable in the medium term. Business models are being adjusted away from those of the recent past, reflecting the fact that lending to SMEs and households for business purposes and for sustainable property investment will necessarily form the core of banks' future activities. This adjustment process is difficult but also essential for the long run health of both the sector itself and the broader economy. The challenge of managing this adjustment is, of course, compounded by simultaneously having to deal with the legacies of the past but a clear focus must remain on achieving this reorientation as rapidly and effectively as possible.

Fiscal developments have remained broadly on track so far, despite weaker than expected growth. There are signs that expenditure in certain areas is running ahead of target but it is assumed that adjustments will be made to bring the level of spending in line with Budgetary projections. Tax revenues have also held up reasonably well despite the relative weakness of activity in the economy, particularly domestic demand. While the headline deficit for last year has been revised upward, due to the partial reclassification of some banking-related investments, the underlying outturn for last year was actually somewhat better than expected. The resulting improved starting position for this year, combined with upward revision to the nominal value of GDP for last year, and the trends for 2012 to date, should facilitate the achievement of this year's projected deficit of 8.6 per cent of GDP. While negotiations at EU level may in time reduce the effort needed to reduce the national debt to a sustainable level over the medium term, it does not remove the urgency of bringing revenues and expenditure into broad balance. In particular, it is vital to ensure that the deficit reduction targeted for this year, and subsequent years, is solidly achieved.

The impulse to growth from the exporting sectors of the economy has been a significant mitigating factor in the downturn. While there are signs that the rate of contraction in domestic demand is easing, a strong external performance by the economy is central to a return to steady output growth. Given the relative weakness of external demand, competitiveness developments are currently more crucial than ever. Measures of national competitiveness have continued to move in the right direction, although they may overstate the improvement somewhat, due to structural changes in the economy. Recent improvements have also been driven more by exchange rate developments than in the past and these can easily be reversed. The key to maintaining the momentum behind competitiveness improvements is a focus on maximising productivity growth in the economy, particularly by boosting efficiency in those sectors where competitive forces are absent or muted, both in the public sector and in more sheltered areas of the private sector. In some cases, more competition can and should be introduced, with effective regulation where required, but in other cases, reliance will have to be placed on proactive management and a willingness to embrace necessary change in a difficult environment. Progress is being made in this regard but the momentum behind change has to be maintained, or even increased, in order to maximise the prospects for a near-term return to growth and rising living standards.

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

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

3 August 2012

Market Operations

Legal framework for temporary measures relating to the eligibility of certain assets

On 2 August 2012 the Governing Council adopted Guideline ECB/2012/18 on additional temporary measures relating to Eurosystem refinancing operations and eligibility of collateral and amending Guideline ECB/2007/9. The purpose was to transform Decision ECB/2011/25 on additional temporary measures relating to Eurosystem refinancing operations and eligibility of collateral into the form of a Guideline that will be implemented by the national central banks in their contractual or regulatory arrangements Therefore, Decision ECB/2011/25 was itself repealed by Decision ECB/2012/17 adopted by the Governing Council on the same day. These legal acts will be published in the Official Journal of the European Union and on the ECB’s website.

Payment systems and market infrastructure

2012 Report on card fraud

On 20 July 2012 the Governing Council took note of the first report on card fraud, prepared by the Payment and Settlement Systems Committee, and authorised its publication on the ECB’s website. The report, together with a related press release, was published on 25 July 2012 on the ECB’s website.

Advice on legislation

ECB Opinion on the Slovenia Sovereign Holding

On 20 July 2012 the Governing Council adopted Opinion CON/2012/57 at the request of the Slovenian Ministry of Finance.

ECB Opinion on a Polish stabilisation fund for banks

On 23 July 2012 the Governing Council adopted Opinion CON/2012/58 at the request of the Polish Minister for Finance.

ECB Opinion on the financial transaction tax in Hungary

On 24 July 2012 the Governing Council adopted Opinion CON/2012/59 at the request of the Hungarian Ministry for the National Economy.

ECB Opinion on Spanish State guarantees

On 26 July 2012 the Governing Council adopted Opinion CON/2012/60 at the request of the Governor of the Banco de España, on behalf of the Spanish Deputy Minister for Economic Affairs and Competitiveness.

ECB Opinion on the reform of supervision of insurance and retirement provision in Italy

On 30 July 2012 the Governing Council adopted Opinion CON/2012/61 at the request of the Italian Ministry of Economic Development.

ECB Opinion on a proposal for a regulation on improving securities settlement in the European Union and on central securities depositories

On 1 August 2012 the Governing Council adopted Opinion CON/2012/62 at the request of the Council of the European Union. The Opinion will be published in the Official Journal of the European Union and on the ECB's website.

Issuance of banknotes and coins / Banknotes

Guideline on the Data Exchange for Cash Services

On 20 July 2012 the Governing Council adopted Guideline ECB/2012/16 on the Data Exchange for Cash Services (DECS) which sets out the requirements that the Eurosystem national central banks have to comply with in relation to the use of the DECS. The DECS will ensure electronic messaging related to free-of-charge cross-border cash transactions and is aimed at further harmonising cash services in the Eurosystem.

Quarterly Financial Accounts for Ireland: Q1 2012

7 August 2012

Quarterly Financial Accounts, released on 7 August 2012[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.

Results summary, Q1 2012

- Overall, the total domestic sector continued to be a net borrower during Q1 2012, albeit at a reduced level than in previous quarters.
- Household net worth declined further during Q1 2012, reaching €447.9 billion or €99,875 per capita. This represented a decline of 1.4 per cent on the previous quarter.
- Household debt fell by 1.6 per cent over the quarter, to reach €188.5 billion or €42,030 per capita.
- Total Government liabilities continued to increase during Q1 2012, reaching €186.7 billion, their highest level to date.
- The NFC debt to GDP ratio reached 221 per cent, its second highest level to date.

1. Net Lending/Borrowing of All Sectors

The net lending/net borrowing position of all sectors is depicted in Chart 1. While a positive value indicates that a sector is a net lender, a negative value indicates that the sector is a net borrower. Overall, the sum of net lending/borrowing of all sectors will sum to zero as, for every lender, there must be a corresponding borrower.

The domestic sector continued to be a net borrower during Q1 2012, albeit at a much reduced level than in previous quarters. The reduced level of domestic sector net borrowing reflected the lower Government deficit during Q1 2012, as well as increased net lending by households. The net lending/borrowing trends of households, Government and non-financial corporates are described in detail in sections 2, 3 and 4 respectively.

2. Household Sector

Household debt[2] continued to decline during Q1 2012, as depicted in Chart 2. Household liabilities fell by 1.6 per cent over the quarter, to reach €188.5 billion or €42,030 per capita. Overall, household liabilities have decreased by 11.8 per cent, or €25.2 billion, since their peak of €213.6 billion at Q4 2008.

The chart also reveals that household debt to disposable income, an indicator of household debt sustainability, also decreased over the quarter. This marked the third consecutive quarterly decline in the ratio. At Q1 2012, debt to disposable income stood at 211.3 per cent, a significant decrease from its peak at Q4 2009 of 223.9 per cent. The declines in Q4 2011 and Q1 2012, marked the largest quarterly falls in the ratio to date. The decline in debt to disposable income over the quarter reflected both the continued decline in household indebtedness, as well as a further increase in household disposable income. The latter increased in both Q4 2011 and Q1 2012, when measured as a 4 sum moving average.

Household net worth[3] also declined further during Q1 2012, reaching €447.9 billion or €99,875 per capita. This represented a decline of 1.4 per cent on the previous quarter as depicted in Chart 3. Overall, household net worth has fallen by 38.2 per cent from their peak at Q2 2007. The decline in net worth has largely been as a result of declining housing asset values. The decline in net worth during Q1 2012 was mitigated to some extent however, by the continued reduction in households' liabilities, as well as increased financial assets. The latter was due to increased investment in financial assets, as well as an increase in the value of these assets, particularly in 'insurance technical reserves'[4].

During Q1 2012, household net lending increased further as depicted in Chart 4. This trend partly reflects households' increased investment in financial assets over the quarter, but, more substantially, a reduction in household liabilities. Households have been net lenders since Q4 2008, reducing the high debt levels incurred in the years preceding the financial crisis.

Household financial assets transactions as a four-quarter moving average are depicted in Chart 5. The chart reveals that household investment in financial assets recovered further over the quarter, increasing from €0.8 billion to €1.3 billion. Households continued to disinvest in 'currency and deposits' during Q1, albeit to a much lesser extent than in previous quarters. Investment by households in 'insurance technical reserves' was largely unchanged over the quarter; while, investment in 'shares and other equity' increased slightly for the second consecutive quarter in a row.

Combining household saving and gross capital formation data from the CSO's non-financial accounts (i.e. the real side of the economy) with households' transactions data from quarterly financial accounts allows for a decomposition of how households use their savings[5]. Chart 6 reveals that household saving increased for the third consecutive quarter during Q1 2012, when measured as a four-quarter moving average. At Q1, savings stood at €3.3 billion, an increase of €0.2 billion compared with the previous quarter. The increase in savings was largely as a result of increased debt reduction during the quarter, as well as a further recovery in investment in financial assets. Investment in gross capital formation by households continued to remain relatively low however, over the quarter.

3. Government Sector

Government liabilities continued to increase during Q1 2012 reaching €186.7 billion, their highest level to date. This represented an increase of €13.4 billion, or 7.7 per cent, on the previous quarter, as depicted in Chart 7. The chart also shows that the Quarterly Government Debt (QGD), which is the standard quarterly measure of debt consistent with Excessive Deficit Procedure (EDP) methodology[6], also increased over the quarter, albeit to a lesser extent.

The increase in Government liabilities over the period partly reflected the receipt of further funding from the EU/IMF programme of €8.7 billion. At Q1 2012, loans from the EU/IMF programme stood at €42.9 billion, or 23 per cent, of total liabilities. The promissory note issued to IBRC, also classified as loans in government accounts, stood at €28.1 billion or 15.1 per cent of total liabilities. The increase in liabilities over the quarter also reflected an increase in the value of long-term debt securities over the quarter, reflecting the continued volatility in sovereign debt markets during Q1 2012. The increase in liabilities was mitigated to some extent by the maturing of debt securities amounting to €5.7 billion over the quarter. At Q1 2012, debt securities represented 42.9 per cent of government liabilities.

Government net financial wealth, the difference between financial assets and liabilities, is depicted in Chart 8. The chart reveals that net financial wealth declined further during Q1 2011, as the increase in Government assets over the period was outstripped by increased Government liabilities. At Q1 2012, net financial wealth stood at minus €117.2 billion, a decrease of €11 billion or 10.4 per cent over the quarter. Since Q3 2008, Government net financial wealth has declined by €101.3 billion.

The Government surplus/deficit, as a four-quarter moving average, is depicted in Chart 9. The deficit declined over the quarter from €3.4 billion in Q4 2011 to €3.3 billion during Q1 2012, when capital injections are excluded. The deficit including capital transfers also declined further during Q1 2012 from €4.8 billion to €4.7 billion. Since 2009, the State has injected €63 billion into the banking sector, of which €41.5 billion has been treated as a deficit-increasing capital transfer. The remainder were treated as financial transactions (or investments) in Government accounts and therefore do not impact the deficit.

4. Non-Financial Corporation Sector

Non-financial corporation (NFC) debt[7] decreased during Q1 2012 to reach €352 billion, or 221 per cent of GDP, its second highest level to date[8]. This represented a decrease of €0.8 billion or 0.2 per cent compared with the previous quarter. NFC debt was on an upward trend during Q3 and Q4 2011, as seen in Chart 10[9]. The increase in the NFC debt is largely caused by increasing debt levels of the multi-national corporations that operate in Ireland.

NFC debt to total liabilities, an indicator of NFC debt sustainability, is depicted in chart 11. The chart shows that NFC debt constituted 39 per cent of total liabilities, a decline of 2 per cent from the previous quarter. The debt sustainability ratio was on average 40 per cent over the four quarters in 2011.

NFCs were a net lender in Q1 2012, for the tenth consecutive quarter. NFC net lending/net borrowing[10] is depicted in Chart 12. On this chart, it is seen that NFC net lending amounted to €0.6 billion over the quarter. This is at a lower level of net lending compared with the previous nine quarters. Chart 12 also shows NFCs increased their acquisition of financial assets and incurrence of liabilities in greater quantities than in the previous five quarters.

6. Further information

The full data series for Ireland, quarterly commentary and notes on compilation are available from the Central Bank website.

Euro area statistics are available from the ECB website.

[1] The publication includes results for Q1 2012 for the first time and incorporates revisions to time series from Q1 2004 onwards. Results have been revised in this release to reflect a methodological change to loans. Details of this change are outlined in Box 1 of this release. It should also 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 due to a methodological change, household debt has been revised upwards. Details of the methodological change are outlined in Box 1. Also, for the household sector, household liabilities are the same as household debt.

[3] Household net worth is calculated as the sum of household 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 CSO's 'Residential Property Price Index' (RPPI).

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

[5] The derivation of savings from a non-financial accounts perspective and a financial accounts perspective is elaborated upon further in Cussen, O' Leary, Smith (2012), 'The Impact of the Financial Crisis on Households: a Cross Country Comparison', Central Bank of Ireland, Quarterly Bulletin No. 2.

[6] Government liabilities in QFA differ from the EDP measure of debt as they are calculated on a non-consolidated basis, and employ different coverage and valuation criteria.

[7] NFC debt is defined as the sum of its 'securities other than shares' and 'loans' liabilities. Debt is non-consolidated, meaning that inter-company debt is included.

[8] GDP is measured as a four-sum moving average of quarterly GDP at market prices.

[9] The NFC sector's loan liabilities are now presented on a gross basis due to a change in methodology, as described in Box 1. This means that outstanding amounts for NFC loans include all impairment provisions recognised against the sector's loans.

[10] The NFC net lending/net borrowing position is measured as a four-quarter moving average, to adjust for seasonality.

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

New Research on Housing Equity Withdrawal in Ireland

9 August 2012

The Central Bank of Ireland today publishes joint research with the Central Statistics Office (Economic Letters Vol. 2012, No. 6) entitled 'Housing equity withdrawal in Ireland: 2000 – 2011'. The Letter summarises research presented to the Statistical and Social Inquiry Society of Ireland in May 2012.

Using data available to the Central Bank and the CSO, the Letter analyses housing equity withdrawal trends in recent years and considers the impact on the domestic economy. The key findings of the research are as follows:

- At the peak of the property boom from 2005 to 2006, €.5 billion of mortgage top-up loans were drawn-down annually. This form of housing equity withdrawal accounted for one-third of all loans issued and 15 per cent of new loan balances.
- By 2011, the value of equity release borrowing had fallen by 97 per cent, to just €95 million of top-up loans in 2011.
- Excluding very large loans (i.e. greater than €50,000), the average equity withdrawal loan ranged from €0,000 to €0,000 throughout the 2000s.
- At the peak of the property boom, there was an increasing trend for very large equity withdrawal loans (i.e. greater than €50,000). The bulk of this borrowing appears to have been invested in other properties (holiday homes and buy-to-let properties).
- Housing equity withdrawal is more common where the head of the household is less than 40 years-old. However, the average loan for this group is smaller (€0,000) when compared with older borrowers aged 40 or above (€3,000).
- Housing equity withdrawal is also more common where the head of the household works in Financial Services, the Public Sector or the Construction Sector.
- Self-employed heads of households withdraw larger amounts on average (€60,000 in 2010) when compared with employed heads of households (€7,000 in 2010). This points to housing equity as a potentially important source of credit for self-employed individuals.
- Using self-reported loan purpose data, it is estimated that two-thirds of the value of housing equity withdrawal between 2000 and 2010 was re-invested in the same property in the form of housing repair, maintenance and upgrades. A further quarter was used for investment in other properties (holiday homes and buy-to-let). The remainder of the borrowing was used for education and paying down short-term debts.
- Unsurprisingly, given the large proportion of housing equity withdrawal re-invested in property, there is a strong correlation between trends in equity release and construction output in housing. This appears to be the primary channel through which equity withdrawal affected the domestic economy in recent years.

- Trends in housing equity withdrawal are also highly correlated with consumer spending on luxury goods, such as cars, and large-scale consumer durable goods, such as furniture.

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 August 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-June 2012. The dataset contains information on the volume of bonds and notes issued during June, as well as the market valuation of outstanding equity shares by sector of issuer at end-June. The sectors of the issuers are: banks; other financial intermediaries; Government; non-financial corporates; and insurance companies and pension funds.

Overview:

- At end-June 2012, the outstanding amount of debt securities issued by Irish financial and non-financial firms, and the Government fell slightly to €1.02 trillion. This represents a year-on-year 1 per cent reduction and is also lower than the same figure at late-2009 (see Figure 2). This contrasts with an annual growth rate of 3.9 per cent across the euro area.
- Equity shares outstanding had a value of almost €184.8 billion at end-June. This includes quoted shares issued by Irish residents (€184.3 billion) which saw a year-on-year net increase of 14 per cent (see Figure 3). For euro area residents, the annual growth rate for the outstanding amount of quoted shares was 1.1 per cent.
- Market-based debt financing for the banking sector continued to contract during June with net redemptions of more than €1.4 billion. The outstanding amount of debt securities for this sector saw a year-on-year fall of 25 per cent.

Government Debt Issuance:

- The outstanding value of long-term Government debt remained at €83.2 billion at end-June[1].
- This represents a year-on-year decrease of approximately 7 per cent when compared with June 2011 (€89.7 billion).
- €17.9 billion (or 22 per cent) of euro-denominated long-term debt will fall due over the next 3 years (Table 1); 56 per cent of which is payable to non-resident investors.

Holdings of Government Bonds:

- At end-June 2012, Irish resident investors accounted for 27 per cent of long-term Irish Government bonds compared with 18 per cent in June 2011 (Table 2).
- The Irish banking sector accounted for a significant portion of this increase; with 24 per cent of all holdings at end-June 2012 (or €20.1 billion), compared with 14 per cent at end-June 2011.
- Holdings by Irish financial intermediaries had increased substantially in April (to €4.5 billion) on foot of a bond used in settlement for the promissory note due to IBRC which was initially financed with a collateralised facility from NAMA (OFI sector) as an interim measure[2]. Holdings by this sector had fallen back to €1.3 billion in June 2012.

Banking Sector:

- Market-based debt financing for the banking sector continued to contract during June. The outstanding amount of debt securities saw a year-on-year fall of 25 per cent with short-term debt contracting by 42 per cent. Over the same period, the total outstanding amount of debt securities for the euro area increased by 3.4 per cent.
- €35.6 billion, or 39 per cent, of Irish banks' debt securities will fall due within the next 12 months; €28.6 billion (or 37.5 per cent) of the debt securities of the guaranteed banks[3] will fall due within the next 12 months.
- The outstanding amount of the banking sector's equity securities has risen by 62 per cent over the past 12 months reflecting a substantial increase in the number of shares issued on foot of the bank recapitalisation programme (including the issuance of additional ordinary shares to the NPRFC by way of a bonus issue in June 2012).

Other Financial Intermediaries:

- The other financial intermediary (OFI) sector[4] recorded total net redemptions of €10.5 billion in June 2012. This compares to net issues of approximately €20.1 billion in May.
- The total outstanding amount of debt securities rose to €838.2 billion – a 3 per cent increase year-on-year – with long-term debt securities accounting for €789.6 billion (or 94 per cent) of this total. The annual growth rate of outstanding debt securities across the euro area was 2.5 per cent over the same period.
- Approximately €91 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 (15 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 €2.5 billion, respectively, at end-June 2012. In the case of NFCs, this equated to a 4 per cent increase year-on-year. The annual growth rate of outstanding debt securities for NFCs resident in the euro area was 10.3 per cent.
- Approximately €633 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 decreased by €1 billion in June although the outstanding amount is still 10 per cent higher when compared to June 2011. The annual growth rate for quoted equity securities for NFCs in the euro area was 0.3 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] It was intended that Bank of Ireland would ultimately finance this long-term Government bond and shareholders approved a motion in support of this transaction in June 2012.

[3] Includes AIB, Bank of Ireland, Irish Life and Permanent, IBRC, EBS and their associated mortgage banks.

[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.

Retail Interest Rate Statistics: June 2012

10 August 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 were unchanged at end-June 2012, relative to the previous month. 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. This was 44 basis points below the rate reported at end-September 2011.
- The corresponding rate reported by all credit institutions resident in the euro area was higher, at 3.76 per cent at end-June 2012, having fallen by just 16 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 were unchanged at end-June, averaging 5.88 per cent. 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, increased by 27 basis points during the month to 8.95 per cent at end-June. The equivalent rate reported by all credit institutions in the euro area was lower, at 7.84 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 4.11 per cent at end-June, compared to a rate of 5.14 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 June 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 per cent in June 2012, compared with 3.04 per cent in May. 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 around 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 May 2012 was 3.11 per cent.
- The weighted average interest rate on new loans to households for non-housing purposes increased in June 2012 to 7.39 per cent, from 7.27 per cent in May. New business volumes in this instrument category have been very low for the past year, averaging around €230 million per month. As a result, the interest rate series tends to be volatile.

Deposits from Households

- Interest rates on outstanding household term deposits fell slightly in June 2012. The weighted average interest rate on household deposits with agreed maturity up to two years decreased by 2 basis points, to 3.64 per cent at end-June 2012. Meanwhile, interest rates on deposits with agreed maturity over two years fell by 1 basis point, to 2.53 per cent.
- Interest rates on household term deposits have increased significantly over the past eighteen months, 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 with 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 72 basis points in this rate, to 3.5 per cent, while the current euro area rate is 2.77 per cent, reflecting a more moderate increase of 30 basis points.
- With regard to shorter-term deposits, which are redeemable at notice, interest rates have been declining in recent months, following moderate increases during the first ten months of 2011[4]. At end-June 2012, the weighted average interest rate on deposits redeemable at notice was 1.96 per cent. This figure represents a decline of 47 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 interest rates for both instrument categories.

- In relation to new deposit business, interest rates on household term deposits fell in June 2012, to a weighted average rate of 1.95 per cent, compared with 2.31 per cent in May.

Non-Financial Corporations (NFCs)

Loans to NFCs

- Interest rates on outstanding loans to NFCs issued by Irish resident credit institutions continued to fall during June 2012. The weighted average interest rate on all outstanding NFC loans was 3.33 per cent at end-June, compared with 3.36 per cent at end-May. The equivalent rate at euro area level was 3.59 per cent at end-June.
- Longer-term loans to NFCs with an original maturity over five years accounted for 47 per cent of all outstanding loans issued to NFCs by Irish resident credit institutions at end-June 2012. The weighted average interest rate on these longer-term loans was 3.19 per cent, while the rates on short-term and medium-term loans[5] were 3.76 per cent and 3.15 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 4.77 per cent in June 2012, reflecting an increase of 5 basis points compared with May. The equivalent rate reported by euro area credit institutions for June 2012 was 4.1 per cent. For loans over €1 million, the rate reported by Irish resident credit institutions fell slightly in June, to an average rate of 3.17 per cent, compared with an equivalent euro area rate of 2.62 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 rate on outstanding NFC term deposits fell by 1 basis point to 2.99 per cent at end-June. 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 3.05 per cent at end-June 2012. The equivalent rate at euro area level was 1.88 per cent, a fall of 3 basis points from end-May 2012.
- With regard to new deposit business, the weighted average interest rate on new NFC term deposits was 1.51 per cent in June 2012 – a fall of

8 basis points from May 2012. Over the same period, the equivalent rate for the euro area increased by 4 basis points, to 1.10 per cent in June 2012.

[1] Recent data are often provisional and may be subject to revision. The extensive set of Retail Interest Rate Statistics tables and Retail Interest Rate Statistics Explanatory Notes, are available on the Central Bank of Ireland website.

[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 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.

Central Bank of Ireland Issues Michael Collins Commemorative Coins

15 August 2012

The Central Bank of Ireland has today launched two collector coins commemorating the 90th anniversary of the death of Michael Collins.

A €20 gold proof coin and a €10 silver proof coin have both been issued and are available individually and as a set. The coins were designed by artist Thomas Ryan and feature a portrait of Michael Collins. The obverse side of the coin features the harp, as with all collector and circulating coins.

Speaking at the launch, Gerry Quinn, Chief operations Officer at the Central Bank of Ireland, said: ‘Our collector coins continue to be very popular with the public and the interest in this collector coin has been overwhelming’.

The coins have an issue limit of 12,000 units for the €20 coin and 8,000 units for the €10 coin. In addition, 6,000 sets featuring both coins are available from today.

Coins can be purchased by downloading an order form from www.centralbank.ie, by calling 1890 307 607 or directly from the Central Bank of Ireland on Dame Street in Dublin at a cost of €50 (gold proof), €48 (silver proof) and €95 (double proof).

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

Central Bank Publishes New Economic Letter on Fiscal Consolidation

15 August 2012

The Central Bank of Ireland today publishes a new Economic Letter 'Fiscal Consolidation – Does it deliver?'.

The letter examines the experience of fiscal consolidation across EU-IMF Programme recipient countries. Fiscal consolidation can be best understood as a direct policy intervention aimed at reducing the budget deficit. Country-specific examples focus on Greece, Ireland, and Portugal, together with more recent applicants Spain and Cyprus. The letter documents the pace, composition and expected return to effort from phases of fiscal consolidation over 2008 to 2015. The effectiveness of these deficit-reducing efforts is assessed through examining the change in the structural budget balance and headline debt ratios. The assessment examines both efforts undertaken to date (2008-2011), together with consolidation plans over 2012 to 2014, announced as of end-April 2012.

Since the beginning of the crisis, fiscal consolidation efforts across programme countries have varied in both their timing and degree of intensity. In light of adverse interest-growth dynamics, and other one-off impacts worsening the deficit, the burden of consolidation can at times be high relative to the aspired pay-off in terms of improvement in debt dynamics. In terms of how effective consolidation efforts are in bolstering more stable debt dynamics, the primary balance, the lever over which discretionary fiscal policy has direct control, plays just one part. Debt dynamics are determined by a number of factors in addition to the primary budget balance. Gross general government debt levels across the sample, are expected to peak in 2013, and remain elevated in spite of even the most concerted of efforts at minimising the primary deficit. Interest-growth dynamics and other factors contributing to debt can, at times, exert such a strong impact that they dominate efforts being made in the fiscal consolidation arena.

Reported consolidation efforts are in some cases sufficient to achieve debt sustainability by the end of 2015. Notwithstanding announced efforts, debt profiles remain subject to projected growth outturns materialising. Where existing consolidation commitments are pursued in conjunction with other potential mitigants, such as bank debt restructuring or growth enhancing policies, further progress towards securing sustainability can be achieved.

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

Warning on Unauthorised Provision of Banking Services

16 August 2012

The Central Bank of Ireland has recently received a number of complaints that two firms, namely 'Irish Nationwide Bank' and 'Elite Bank Group', are claiming to be based in the State and are offering banking business services. Neither firm holds any authorisation or licence from the Central Bank nor are they appropriately licensed in another EEA Member State as a credit institution, with authority to provide services in Ireland under a passporting arrangement.

Section 7(1) of the Central Bank Act 1971 provides that 'a person…shall not, in or outside the State, carry on banking business or hold himself out or represent himself as a banker or as carrying on banking business or on behalf of any other person accept deposits or other repayable funds from the public, unless he is the holder of a licence' and a person who contravenes section 7 is committing a criminal offence.

Furthermore, the Central Bank Act 1971 prohibits the use in a name or title of any of the words 'bank', 'banker' or 'banking', except in circumstances where the person has applied for an exemption from the Central Bank to do so. Neither of the firms named above has applied for such an exemption. The Central Bank has concerns that, by using the name 'Irish Nationwide Bank', the firm could reasonably be construed by consumers to be the licenced entity of a similar name – whereas this is not the case. The firm is not a licenced entity.

The Central Bank has no evidence that Irish Nationwide Bank and Elite Bank Group has attempted to target Irish consumers, although Irish consumers should be aware that in the event of dealing with a firm that is unauthorised or unlicensed, a consumer will have no access to the Financial Services Ombudsman or to Statutory Compensation Schemes.

Consumers wishing to confirm the regulatory status of firms may do so by checking the Central Bank's registers at www.centralbank.ie or by contacting the Central Bank on telephone (01) 224 4000. Please note that some firms based in the European Economic Area may be regulated in their Home State and may be authorised to provide services in Ireland under Passporting arrangements. These firms may not appear on the Central Bank online registers.

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

Michael Collins Silver Proof Coin and Double Set Sold Out

23 August 2012

The silver proof €10 coin in commemoration of Michael Collins has now sold out. The double set of one gold and one silver coin sold out on 17 August.

A limited number of individual gold proof €20 coins remain available to purchase.

We would like to express our thanks to customers for their unprecedented interest in the coins.

In anticipation of strong demand for the coins, a total of 32,000 coins were minted including 12,000 units of the gold proof €20 coin; 8,000 units of the €10 silver proof coin and 6,000 double sets featuring both coins.

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

New Research on Supply and Demand in the SME Lending Market

22 August 2012

The Central Bank of Ireland today publishes new economic research (Economic Letters Vol. 2012, No. 8) entitled 'Irish SME credit supply and demand: comparisons across surveys and countries'. The Letter compares survey responses on Irish SME credit supply and demand across survey sources and relative to euro area countries for the period September 2011 to March 2012.

The key findings of the research are as follows:

- The conclusions concerning Irish SMEs' credit supply and demand vary only negligibly between the Department of Finance's Mazars survey and the ECB's SAFE survey.
- Rejection rates for SME loan and overdraft applications in Ireland are the second highest in the euro area, behind Greece.
- Changes in terms and conditions of bank credit (interest rates, collateral requirements, size of available loan) in Ireland are also among the least favourable in the euro area.
- As measured by firms' reported changes in their need for bank financing, credit demand in Ireland lies marginally above the euro area average.
- As measured by application rates for loans or overdrafts, Irish SME credit demand lies marginally below the euro area average.
- Ireland has the second highest share of discouraged borrowers (firms who do not apply for a loan despite requiring credit) in the euro area.

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

Residential Mortgage Arrears and Repossessions Statistics: Q2 2012

23 August 2012

Summary

The Central Bank today publishes the latest data on mortgage arrears, restructures and repossessions for the period ended June 2012[1]. The figures show that 83,251 (10.9%) of private residential mortgage accounts are in arrears over 90 days, which is up from 77,630 accounts (10.2%) as at the end of March 2012. The Central Bank is also publishing, for the first time, data on mortgage accounts which are less than 90 days in arrears to help bring greater transparency around the trend in early arrears and also as one of the key performance indicators which the Central Bank will be using to monitor lenders' progress. The figures show that 45,165 mortgage accounts are in arrears of less than 90 days at the end of June. This compares with 46,284 as at the end of March 2012.

The data also show that 84,941 mortgage accounts have been classified as restructured by the lenders. These forbearance techniques include a switch to an interest only mortgage; a reduction in the payment amount; a temporary deferral of payment; extending the term of the mortgage; and capitalising arrears amounts and related interest. All mortgage lenders are currently piloting new forbearance and loan modification techniques to provide longer-term and more sustainable solutions for customers in financial difficulty. The Central Bank of Ireland is continuing to monitor progress of the lenders to ensure they commence roll out of these new techniques before the end of the year and intends to publish additional data on this in early 2013.

Arrears

- At end-June 2012, there were 761,533 private residential mortgage accounts for principal dwellings held in the Republic of Ireland, to a value of €112 billion. Of this total stock of accounts, 83,251, or 10.9 per cent, were in arrears of more than 90 days. This compares with 77,630 accounts (10.2 per cent of total) that were in arrears of more than 90 days at end-March 2012.[2]
- The number of accounts that were in arrears of more than 180 days was 65,698 at end-June 2012, equivalent to 8.6 per cent of the total stock. At end-March, the number of accounts in arrears of more than 180 days was 59,437, or 7.8 per cent of the total stock.
- There were 45,165 accounts in arrears of less than 90 days at end-June 2012. This figure reflects a fall of 2.4 per cent since end-March, when there were 46,284 accounts in short-term arrears.

- While the number of accounts in arrears of more than 90 days increased by 7.2 per cent during Q2, the total value of arrears outstanding on these accounts increased by 11 per cent.

Restructuring Arrangements

- There was a total stock of 84,941 principal dwelling mortgage accounts that were categorised as restructured at end-June 2012. This reflects an increase of 6.6 per cent from the stock of 79,712 restructured accounts at end-March. Over the same period, the outstanding value of arrears on all restructured accounts increased by 18.1 per cent.
- Of the total stock of restructured mortgages at end-June, 40,221 were not in arrears. The remaining restructured accounts (44,720) were in arrears of varying lengths (both less than and greater than 90 days). Restructured accounts in arrears include accounts that were in arrears prior to restructuring where the arrears balance has not yet been eliminated, as well as accounts that are in arrears on the current restructuring arrangement.
- Arrangements whereby at least the interest only portion of the mortgage is required to be met accounted for just over half of all restructure types (53 per cent).[3] A breakdown of restructured mortgages by type is presented in Figure 1.

Legal Proceedings and Repossessions

- During the second quarter of 2012, legal proceedings were issued to enforce the debt/security on a mortgage in 345 cases. Court proceedings concluded in 193 cases during the quarter, and in 97 of these cases the Courts granted orders for possession or sale of the property.
- A total of 146 properties were taken into possession by lenders during the quarter, of which 44 were repossessed on foot of a Court Order, while the remaining 102 were voluntarily surrendered or abandoned.
- During the quarter 142 properties were disposed of, and as a result, lenders were in possession of 961 properties at end-June 2012.

Annex 1: Mortgage Arrears Data and Further Information

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.

[1] The Central Bank is extending data coverage to include Buy-to-Let mortgages. First results will be published later this year.

[2] 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.

[3] Interest Only (29,956) and Reduced Payment (greater than interest only) (15,068).

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

Central Bank Statement on Ulster Bank Customer Remediation Plan

31 August 2012

Ulster Bank has now finalised its remediation plan, following the recent technical failure which caused widespread inconvenience and disruption due to the unacceptable delay in resuming normal services. This affected both its own customers and those of other banks. Ulster Bank is now writing to its customers directly to outline next steps. The measures contained in its remediation plan will be effective for customers from Monday 3rd September 2012.

As part of its engagement with Ulster Bank, the Central Bank is requiring Ulster Bank to provide clear and timely information to all its customers on the remediation plan and, in particular, what customers should do next in order to ensure they receive any redress and compensation payments due to them.

Bernard Sheridan, Director of Consumer Protection, said:

"We encourage all Ulster Bank customers to proactively contact Ulster Bank following receipt of their letter from the bank to ensure that their issues as a result of this incident are properly addressed. Customers of other banks who were affected should get in touch with their own bank in the first instance to seek redress for loss and inconvenience. If customers are not satisfied with the outcome, they can make a formal complaint to their bank.

While Ulster Bank is required to reimburse and make good any actual losses suffered by customers, the level of any payment for inconvenience suffered is not subject to the Central Bank's regulatory standards or approval. This is a commercial decision for Ulster Bank. Where customers are not satisfied with how Ulster Bank is dealing with them, they may refer their complaint to the Financial Services Ombudsman."

Impacted Ulster Bank customers are advised to contact Ulster Bank via branch, website or on the telephone at 1800 205 100. Customers of other banks impacted by this issue are advised to contact their own bank through normal channels.

The Central Bank notes the inclusion of redress and disruption measures in Ulster Bank's remediation plan including a free credit rating check, disruption payments and waiving of some fees.

The Central Bank will monitor the implementation of the remediation plan to ensure that it is communicated clearly and delivered effectively.

The investigations into Ulster Bank's and the wider RBS Group technical failure and how it emerged and developed are continuing.

Central Bank of Ireland Publishes July 2012 Money and Banking Statistics

31 August 2012

The Central Bank of Ireland today published the July 2012 Money and Banking Statistics[1].

Loans and other credit

- Loans to households continued to decline during July 2012 and were 3.6 per cent lower on an annual basis, following a decline of 3.7 per cent for the year ending June 2012. Lending for house purchase was 2.1 per cent lower on an annual basis in July 2012, while lending for consumption and other purposes declined by 7.8 per cent over the same period.
- Lending to households declined by €471 million during the month of July, following a net monthly increase of €55 million in June. Developments in July were mostly driven by a decline in loans for consumption of €225 million. Loans for house purchase also fell by €157 million, while loans to households for other purposes declined by €88 million.
- The monthly net flow of loans to households averaged minus €227 million in the three months ending July 2012, which consists of average net flows of minus €102 million in loans for house purchase, minus €73 million in loans for consumption purposes, and minus €52 million in lending for other purposes.
- Lending to Irish resident non-financial corporations (NFCs) declined by 3.4 per cent in the year ending July 2012, following an annual decline of 2.9 per cent in June 2012.
- On a monthly basis, loans to NFCs decreased by €297 million during July, following a decrease of €399 million in June. The monthly net flow of loans to NFCs averaged minus €345 million in the three months ending July 2012, compared with an average of minus €354 million in the three-month period up to end-June 2012.
- Short-term loans to NFCs with an original maturity of up to one year, which includes the use of overdraft facilities, increased by €162 million during July 2012. This followed a decline of €571 million in June. Longer-term loans with an original maturity over five years also increased during July, by €214 million, while medium-term NFC loans fell by €673 million.
- On an annual basis, longer-term NFC loans with an original maturity over five years fell by 0.2 per cent in July 2012. Short-term NFC loans continued to increase, as loans with an original maturity up to one year grew by 0.6 per cent in the year ending July 2012. Meanwhile, NFC

lending between one and five years original maturity declined by 10.6 per cent over the period.

- Credit institutions' holdings of debt and equity securities issued by the Irish private sector increased by €122 million during the month of July 2012, with an annual rate of change of minus 10.5 per cent. This follows a decline of 10.9 per cent for the year ending June 2012. The increase in holdings of private-sector securities during July reflects developments in holdings of debt securities issued by Other Financial Intermediaries (OFIs).

Deposits and other funding

- Irish resident private-sector deposits were 0.8 per cent lower on an annual basis at end-July 2012, compared with a decline of 2.5 per cent over the year ending June. Deposits from households were 0.1 per cent lower on an annual basis in July, while deposits from Insurance Corporations and Pension Funds (ICPFs) and OFIs fell by 3 per cent. Deposits from NFCs increased by 0.1 per cent over the same period.
- There was a month-on-month increase of €1.9 billion in Irish resident private-sector deposits during July 2012. This increase was dominated by developments in the OFI sector where deposits increased by €1.4 billion, partly reflecting inter-affiliate transactions. NFC deposits also increased by €465 million during July, while deposits from ICPFs increased by €216 million. Household deposits fell by €159 million over the same period.
- Private-sector overnight deposits increased by €1.4 billion during July 2012, largely reflecting developments in the OFI sector where overnight deposits increased by €1 billion. Overnight deposits from the NFC sector also increased in July, by €533 million, while ICPF overnight deposits grew by €47 million. Household sector overnight deposits declined by €248 million during the month.
- Household deposits with agreed maturity up to two years increased by €214 million during the month of July 2012. Deposits in this category from OFIs and ICPFs also increased during the month, by €223 million and €124 million, respectively. NFC deposits with agreed maturity up to two years fell by €60 million over the same period.
- Private-sector deposits from non-residents increased by €1.5 billion during July 2012, predominantly reflecting developments in the IFSC-based banks. There was a decrease of €678 million in deposits from other euro area private-sector residents during the month, while private-sector deposits from non-euro area residents increased by €2.2 billion. Total non-resident private-sector deposits were 5.3 per cent lower on an annual basis at end-July 2012, with deposits from other euro area private-sector entities being 8.5 per cent lower, and those from the non-euro area private sector 3.3 per cent lower.

- Total deposits from non-residents, including deposits from MFIs, general government and the private sector, fell by €5.7 billion during July 2012, largely driven by developments in deposits from affiliated non-resident credit institutions.
- Credit institutions' borrowings from the Central Bank as part of Eurosystem monetary policy operations declined by €3.9 billion in July 2012. The outstanding stock of borrowings from the Eurosystem by Irish resident credit institutions amounted to €84.4 billion at end-July. Domestic market credit institutions[2] accounted for €71.9 billion of this total outstanding stock.
- 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-July 2012, the outstanding amount of these bonds was €10.1 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.

Central Bank Data on Financial Vehicle Corporations – Q2 2012

Information Release 11 September 2012

The Central Bank today publishes Q2 2012 data on financial vehicle corporations[i] (FVCs) resident in Ireland. 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 Q2 2012 show that on the liabilities side, debt securities issued reported negative transactions of €17.6 billion, with the majority of this figure relating to debt securities with maturity of over 2 years. Total assets reported by FVCs resident in Ireland continued to decline, falling to €469.2 billion (Chart 1). This is driven by large net outflows of shares and other equities of €5.9 billion and other assets of €4.2 billion. Other assets are comprised of financial derivatives, fixed assets and remaining assets. It is worth noting that outflows of securities other than shares have fallen substantially to €1.6 billion from €11.5 billion in Q1. All outflows however, were slightly offset by overall positive revaluations of €4.2 billion in Q2 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 €82.8 billion to €2,146 billion. This euro area decline was mainly driven by outflows of €72.4 billion from debt securities issued.

The main developments during Q2 2012 were:

- The largest component in the fall in Irish resident FVC assets during Q2 2012 was a net outflow of €5.9 billion in shares and other equities, with outstanding amount falling to €19.4 billion from €25.3billion in the previous quarter. The decline in total assets of minus €15.2 billion in Q2 2012 was lower than in Q1. This was mainly due to a smaller outflow in securities other than shares, where transactions of minus €1.6 billion was a substantial decrease on the €11.5 billion recorded in Q1.
- Other assets also experienced a decline in transactions of minus €4.2 billion.
- It is worth noting that outstanding amounts for securitised loans on the balance sheet remained constant at €226.4 billion, despite the fact that negative transactions of €1.4 billion were reported for Q2. This is attributable to revaluation effects.
- As a result of aggregate negative transactions of minus €15.7 billion on the liabilities side, total outstanding debt securities issued stood at €333.7 billion at the end of Q1 2012, down from €350 billion at the close of 2011. Ireland’s share of total euro area assets increased for the first time since Q4 2010, amounting to 21.9% at the end of Q2 2012.

In general, the annual growth rate of all asset categories continued to decline. This is most obvious for other assets, which reported an annual growth rate of minus 59.4%, while the decline in the growth rate for shares and other equities more than doubled when compared with Q1 2012, measuring minus 32.9% in Q2. On the liabilities side, the annual growth rate of total debt securities was minus 18.6% in Q2 2012. Overall, the total annual growth rate for total FVC assets decreased slightly when compared with Q1 2012, measuring minus 16.5% in Q2 2012.

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.

[i] Definitions of an FVC and 'securitisation' in Notes to Editors.

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

Trends in Business Credit and Deposits: Q2 2012

11 September 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 €390 million over the quarter (1.4 per cent), and €1.2 billion over the year ending Q2 2012 (4.6 per cent), bringing the total outstanding amount of lending to SMEs in these sectors at end-Q2 2012 to €26.6 billion. This follows an annual decline of 6.3 per cent in the year to the end of Q1 2012.
- 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 €459 million during Q2 2012.
- Credit advanced to all non-financial, non-property related enterprises declined by €530 million over the quarter (1.3 per cent), and €1.9 billion over the year to end-Q2 2012 (4.6 per cent), bringing total credit outstanding to non-financial, non-property related enterprises to €39.2 billion. This follows annual declines of 7.1 per cent and 5.2 per cent at end-2011 and end-Q1 2012, respectively.
- Credit advanced to property-related enterprises engaged in construction and real estate activities was 1.9 per cent lower over the year ending Q2 2012, following a quarterly decrease of €613 million in Q2. Lending to SMEs in these sectors had fallen by 1.6 per cent in the year ending Q2 2012, which included a decline on a quarterly basis of €237 million in Q2.
- Deposits held by Irish resident private-sector enterprises in credit institutions in Ireland rose by €623 million (0.8 per cent) during Q2 2012. Non-financial enterprise deposits were €35.4 billion at end-Q2 2012, following a quarterly increase of €236 million (0.7 per cent). The annual rate of decline in deposits from these enterprises was 1.4 per cent in Q2 2012.

Credit Advanced to SMEs

- The outstanding amount of credit advanced to Irish SMEs by resident credit institutions was €73.2 billion at end-Q2 2012. This was an increase of 0.3 per cent over the quarter and a decline of 1.7 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[2]. Excluding the financial intermediation sector, credit outstanding to SMEs totalled €60.3 billion at end-Q2 2012, a decrease of €627 million (1 per cent) during the quarter and a decline of €1.8 billion (2.9 per cent) over the year.
- There was €33.7 billion of loans outstanding to SMEs in the property-related sectors of construction and real estate activities at end-Q2 2012, equivalent to 55.9 per cent of total credit outstanding to non-financial SMEs. Lending to SMEs in these sectors fell by a combined 1.6 per cent over the year ending Q2 2012, a net flow of minus €546 million (i.e. repayments exceeded drawdowns[3] by €546 million).
- 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-Q2 2012. Lending to these SMEs fell by 4.6 per cent (€1.2 billion) in the year ending Q2 2012, with a quarterly decline of 1.4 per cent (€390 million) during the quarter. This follows a decline in lending to these SMEs during Q1 2012 of €217 million (0.8 per cent).
- Lending to SMEs increased in three non-financial, non-property related sectors during Q2 2012. These quarterly increases occurred in lending to manufacturing (€18 million), water supply, sewerage, waste management and remediation (€11 million), and the education sectors (€3 million). The largest quarterly decline in value terms was in lending to the wholesale/retail trade and repairs sector (€191 million).
- A total of €459 million was drawn-down relating to new loans to SMEs in the non-property, non-financial sectors during Q2 2012. (i.e. drawdowns of new loans, excluding restructuring or renegotiations of existing facilities)[4], equivalent to 1.7 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 (€138 million), followed by the wholesale and retail trade and repairs (€77 million), business and administrative services and sector (€48 million) and the manufacturing sector (€47 million). Relative to each sectors Q1 2012 stock of lending, gross new lending to SMEs in the non-property, non-financial sectors was most significant in water supply, sewerage, waste management and remediation activities (25.8 per cent), information and communication (6.8 per cent), and electricity, gas, steam and air conditioning supply (4.8 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 €213.6 billion at end-Q2 2012. Approximately 55 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[5] and other financial vehicle corporations. Excluding financial intermediation, the total amount of private-sector enterprise credit outstanding was €96.2 billion at end-Q2 2012.
- The annual rate of change in non-financial private-sector enterprise credit was minus 3 per cent at end-Q2 2012, equivalent to a net annual flow of minus €3 billion. Credit advanced to the construction and real estate sectors fell by €1.1 billion over the year, or 1.9 per cent.
- Excluding property-related and financial sectors, credit advanced to Irish private-sector enterprises stood at €39.2 billion at end-Q2 2012, a decline of 4.6 per cent (€1.9 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 19.6 per cent. Credit to these sectors was 2.4 per cent and 1.9 per cent lower on an annual basis, respectively at end-Q2 2012.
- Credit advanced to the manufacturing sector was 1.3 per cent lower on an annual basis at end-Q2 2012, which followed a quarter-on-quarter increase of €106 million during the period. Quarterly developments in credit to the manufacturing sector were dominated by a rise of €154 million in credit to enterprises in the manufacture of food, beverage and tobacco products, which was only partially offset by reductions in lending to most other manufacturing enterprises.
- Credit to enterprises in the business and administrative services sector declined by €232 million during Q2 2012, following a fall of €19 million in the previous quarter. On an annual basis, credit advanced to this sector declined by 11.8 per cent in the year ending Q2 2012, compared with an annual increase of 3.9 per cent for the year ending Q2 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-Q2 2012, was 3.6 per cent lower on an annual basis, following a decline of €158 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. There was an overall quarterly decrease in credit to agriculture of €38 million during Q2-2012.

Deposits from Irish Resident Private-Sector Enterprises

- The quarterly net flow of deposits from Irish private-sector enterprises during Q2 2012 was €623 million (0.8 per cent). This followed a fall of €347 million during Q1 2012 (0.5 per cent). The annual decline in deposits from Irish private-sector enterprises was 5 per cent at end Q2 2012 (€4 billion).
- The financial intermediation sector (excluding monetary financial institutions) accounted for the majority of this annual decline, with deposits from this sector being €3.6 billion (7.9 per cent) lower over the year. On a quarterly basis, deposits from the financial intermediation sector rose by €387 million (0.9 per cent).
- Excluding financial intermediation, there was an annual decline of private-sector enterprise deposits of 1.4 per cent (€478 million) in the year ending Q2 2012.
- During Q2 2012, deposits from 8 of the 15 non-financial sectors increased, with the largest absolute increase from enterprises engaged in wholesale/retail trade and repairs (€147 million), followed by business and administrative services (€126 million). The largest absolute decrease in deposits during the quarter was from enterprises engaged in construction (€89 million).

[1] The extensive set of Business Credit and Deposits Statistics tables, along with a detailed set of explanatory notes are available on the website. 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] SMEs are defined as enterprises with fewer than 250 employees and whose annual turnover does not exceed €50 million and/or whose annual balance sheet does not exceed €43 million. This is the standard EU definition of an SME.

[3] 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.

[4] New sanctions or agreements relating to restructuring may be higher than the amounts of new facilities drawn-down by customers in a given period. Gross new lending would include, however, funds drawn-down following a restructuring or renegotiation of an existing facility that were not included in credit advanced at the end of the previous quarter.

[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.

Trends in Personal Credit and Deposits: Q2 2012

12 September 2012

Summary

- Total credit to Irish private households outstanding on the balance sheet of resident credit institutions was €97.9 billion at end-June 2012, following a quarterly decline of 0.7 per cent and an annual decline of 3.9 per cent.
- Including loans for house purchase that have been securitised and continue to be serviced by resident credit institutions, the total amount of loans to private households outstanding at end-June 2012 was €146.6 billion.
- The total deposits held in resident credit institutions by Irish private households was €86.9 billion at end-June 2012, following a quarterly decrease of 0.1 per cent and an annual decline of 0.2 per cent.

Credit Advanced to Private Households – Loans for House Purchase

- The annual rate of change in loans for house purchase was minus 2.2 per cent at end-June 2012, following a quarterly decline of 0.4 per cent. This was the tenth consecutive quarterly decline, bringing the outstanding amount of loans for house purchase on-balance sheet to €80 billion. The outstanding amount of securitised mortgages, which continue to be serviced by resident credit institutions, was €48.7 billion at end-June 2012.
- Floating rate mortgages, which include standard variable rate, tracker rate, and mortgages with a fixed rate up to one year[2], accounted for 89 per cent of the outstanding amount of loans for house purchase on-balance sheet at end-June 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 again during Q2 2012 to 38 per cent, following a net increase of €1 billion during the quarter.
- Fixed rate mortgages accounted for 11.3 per cent of the outstanding amount of loans for house purchase on-balance sheet at end-June 2012, following a net decline of €1.3 billion during the quarter. Mortgages with a rate fixation period over one year and up to three years accounted for approximately 50 per cent of fixed rate mortgages outstanding.
- Loans for principal dwellings accounted for 74 per cent of on-balance sheet loans for house purchase at end-June 2012, similar to recent quarters. Loans for principal dwellings fell during Q2 2012 by €489

million, reflecting an underlying decline of €1.1 billion in fixed rate mortgages and an increase of €631 million in floating rate mortgages. The annual decline in loans for principal dwellings was 2.3 per cent at end-Q2 2012.

- Standard variable mortgages on principal dwellings increased by €643 million during Q2 2012, while tracker mortgages declined by €14 million and mortgages fixed for up to one year rose by €2 million. Floating rate mortgages (of which 45 per cent standard variable, 53 per cent tracker, and 2 per cent up to one year fixed) accounted for 87 per cent of the outstanding amount of loans for principal dwellings at end-June 2012. The share of floating rate mortgages was slightly higher for those loans included in a securitisation pool, at 92 per cent (Chart 3).
- The outstanding amount of on-balance sheet loans for buy-to-let residential properties was €19.5 billion at end-June 2012, accounting for 24.4 per cent of loans for house purchase. There was a net increase of €170 million in these loans during Q2 2012 (0.9 per cent), reflecting a rise of €355 million in floating rate mortgages and a decline in fixed rate mortgages of €185 million. Buy-to-let floating rate mortgages (of which almost 38 per cent standard variable, 62 per cent tracker, and 0.3 per cent up to one year fixed) accounted for 94 per cent of the outstanding amount of loans for buy-to-let properties at end-June 2012. The annual decline in loans for buy-to-let residential properties was 1.8 per cent at end-Q2 2012.
- Loans for holiday homes/second homes accounted for 1.3 per cent of on-balance sheet loans for house purchase at end-June 2012. Floating rate mortgages accounted for 92.5 per cent of the outstanding amount of loans for holiday homes/second homes at end-June (of which almost 39 per cent standard variable, 61 per cent tracker, and 0.1 per cent up to one year fixed). The annual decline in loans for holiday homes/second homes was 5.9 per cent at end-Q2 2012.

Credit Advanced to Private Households – Other lending

- Non-housing related lending, or 'other personal' lending, accounted for 18.3 per cent (€17.9 billion) of total on-balance sheet credit advanced to Irish private households by resident credit institutions at end-June 2012.
- Lending in this category fell by 11 per cent in the year ending June 2012. This followed an annual decrease of 11.6 per cent at end-March 2012.
- Non-housing related lending to private households peaked in Q1 2009. By end-June 2012 it had declined by 20.5 per cent from that peak.
- Non-housing related lending to private households declined by €393 million during Q2 2012 (2.1 per cent). This reflected a decline in finance for investment purposes of €41 million, and finance for other non-housing related purposes fell by €352 million.

Deposits from Private Households

- The deposits held in resident credit institutions by Irish private households stood at €86.9 billion at end-June 2012. This followed a decrease of €89 million (0.1 per cent) during Q2 2012.
- The outstanding amount of personal deposits was 0.2 per cent lower on an annual basis at end-June 2012, compared with annual rates of decline of 3.3 per cent and 0.7 per cent at end-December 2011 and end-March 2012, respectively.
- The net flow of personal deposits in the year ending June 2012 was minus €150 million.

[1] 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.

Statistics on Securities Issues of Irish Financial and Non-Financial firms: July 2012

12 September 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-July 2012. The dataset contains information on the volume of bonds and notes issued during July, as well as the market valuation of outstanding equity shares by sector of issuer at end-July. The sectors of the issuers are: banks; Government; other financial intermediaries; non-financial corporates; and insurance companies and pension funds.

Overview:

- At end-July 2012, the outstanding amount of debt securities issued by Irish financial and non-financial firms, and the Government of €1.03 trillion, remained broadly unchanged from July 2011. This contrasts with an annual growth rate of 4 per cent across the euro area.
- Market-based debt financing for the banking sector continued to contract during July with net redemptions of more than €2.5 billion. The outstanding amount of debt securities for this sector saw a year-on-year fall of 26 per cent.
- At end-July 2012, Irish resident investors accounted for 27 per cent of long-term Irish Government bonds compared with 18 per cent in July 2011.
- Equity shares outstanding had a value of almost €195 billion at end-July. This includes quoted shares issued by Irish residents (€194.3 billion) which saw a year-on-year net increase of 25 per cent. In contrast, for euro area residents, the annual growth rate for the outstanding amount of quoted shares was 1 per cent.

Government Debt Issuance:

- The outstanding value of long-term Government debt remained broadly unchanged at €83.2 billion at end-July[i].
- This represents a year-on-year decrease of approximately 7 per cent when compared with July 2011 (€89.8 billion).
- The NTMA issued Treasury Bills amounting to €512.5 million in July via competitive and non-competitive auctions.

- €17.9 billion (or 22 per cent) of euro-denominated long-term debt will fall due over the next 3 years (Table 1); 58 per cent of which is payable to non-resident investors.

Holdings of Government Bonds:

- At end-July 2012, Irish resident investors accounted for 27 per cent of long-term Irish Government bonds compared with 18 per cent in July 2011 (Table 2).
- The Irish banking sector accounted for a significant portion of this increase; with 25 per cent of all holdings at end-July 2012 (or €20.6 billion), compared with 15 per cent at end-July 2011.
- The total holdings of Treasury Bills at end-July amounted to €512.5 million, of which €40 million (7.8 per cent) was accounted for by Irish residents and €472.5 million (92.2 per cent) was account for by non-residents.

Banking Sector:

- Market-based debt financing for the banking sector continued to contract during July. The outstanding amount of debt securities saw a year-on-year fall of 26 per cent with short-term debt contracting by 48 per cent. Over the same period, the total outstanding amount of debt securities for the euro area increased by 4.2 per cent.
- €36.5 billion, or 41 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 40 per cent over the past 12 months reflecting a substantial increase in the number of shares issued on foot of the bank recapitalisation programme.

Other Financial Intermediaries:

- The other financial intermediary (OFI) sector[ii] recorded total net issues of €13.8 billion in July 2012. This compares to net redemptions of approximately €10.5 billion in June.
- The total outstanding amount of debt securities rose to €852 billion – a 5 per cent increase year-on-year – with long-term debt securities accounting for €804.2 billion (or 94 per cent) of this total. The annual

growth rate of outstanding debt securities across the euro area was 1.4 per cent over the same period.

- Approximately €97.2 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 quoted equity securities (21 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 were €2.8 billion and €2.5 billion, respectively, at end-July 2012. In the case of NFCs, this equated to a 1 per cent increase year-on-year. The annual growth rate of outstanding debt securities for NFCs resident in the euro area was 10.2 per cent.
- Approximately €622 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 €9.9 billion in July and is 24 per cent higher when compared to July 2011. In contrast, the annual growth rate for quoted equity securities for NFCs in the euro area declined by – 9.5 per cent.

Notes:

- The statistics are based on Irish resident sectors issuances of securities where an ISIN[iii] 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.

[i] Refers to debt securities in all currencies

[ii] 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.

[iii] 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.

Central Bank Data on Investment Funds: Q2 2012

14 September 2012

The Central Bank today publishes statistics for Q2 2012 on investment funds (IFs) resident in Ireland. IFs, measured by total shares/units in issue, increased in value to €855.1 by the end of Q2, from €819.8 billion at end Q1, amid net positive revaluations of €23.6 billion and net transactions inflows of €11.7 billion, primarily driven by bond funds.

Growth in the Irish IF industry, at 4.3 per cent, significantly outperformed negligible euro area average growth for the quarter. This reflected relatively strong transactions inflows into Irish bond funds and the relatively lower exposure of Irish IFs to euro area assets. Non-euro area assets make up 78 per cent of total asset holdings of Irish IFs, with 13 per cent accounted for by the rest of the euro area and 9 per cent by Ireland.

Holdings of sovereign bonds remained relatively static, with a slight tendency toward safe haven flows. Euro area sovereign debt holdings increased by €1.5 billion to €41.6 billion, entirely driven by Germany. Holdings of US government bonds rose by €2.9 billion to €38.8 billion, accounted for by dollar appreciation against the euro. UK sovereign bond holdings saw net outflows of €6.1 billion to €43.8 billion, despite falling bond yields, amid purchases by the Bank of England under quantitative easing. Holdings of Italian and Spanish government debt remained largely unchanged at €6.2 billion and €1.3 billion respectively while holdings of Greek debt were negligible.

A significant increase in holdings of bank bonds seen in Q1 largely unwound in Q2, with €13.3 billion flowing out despite positive revaluations of €6.8 billion, to close at €166.1 billion. Bonds of other financial institutions and non-financial institutions seem to have been the main beneficiaries.

Investment Funds by Category

Performances of funds by strategy were mixed in Q2 2012. With the exception of bond funds, all categories experienced net transactions outflows, suggesting an increase in risk aversion among investors over the quarter.

Equity funds, which amounted to €273 billion at end Q2, saw negative revaluations of €3.8 billion and net transactions outflows €1.7 billion, as global equity markets contracted.

Hedge funds increased in value from €73.1 to €76.6 billion, driven by positive revaluations in bond holdings and amid net transactions outflows of €0.3 billion.

Remaining funds, comprising mostly mixed funds, saw significant transactions outflows of €7.7 billion, despite positive revaluations of €6.3 billion concentrated in bond assets, culminating in a decline in overall value from €147.1 billion to €145.7 billion.

In contrast, bond funds, which account for €359.6 billion or 42 per cent of the value of the IF industry, experienced significant inflows of €21.4 billion and large positive revaluations €17.5 billion amid dipping bond yields.

Notes to Editors

These data were published under the requirements of Regulation (EC) No 958/2007 concerning statistics on the assets and liabilities of investment funds (ECB/2007/8), which was passed on 27 July 2007, obliging investment funds to report quarterly balance sheets. Reporting is obligatory for all investment funds resident in Ireland.

The full data series for Ireland is available from the Central Bank website while euro area statistics are available from the ECB website.

Type of Fund

Equity funds are investment funds primarily investing in shares and other equity. The criteria for classifying an investment fund into equity funds are derived from the public prospectus, fund rules, instruments of incorporation, established statutes or by-laws, subscription documents or investment contracts, marketing documents, or any other statement with similar effect.

Bond funds are investment funds primarily investing in securities other than shares. The criteria for classifying an investment fund into bond funds are derived from the public prospectus, fund rules, instruments of incorporation, established statutes or by-laws, subscription documents or investment contracts, marketing documents, or any other statement with similar effect.

Mixed funds are investment funds investing in both equity and bonds with no prevalent policy in favour of one or the other instrument. The criteria for classifying an investment fund into mixed funds are derived from the public prospectus, fund rules, instruments of incorporation, established statutes or by-laws, subscription documents or investment contracts, marketing documents, or any other statement with similar effect.

Hedge funds, for the purpose of IF data collection, mean any collective investment undertakings (CIU) regardless of its legal structure under national laws, which apply relatively unconstrained investment strategies to achieve positive absolute returns, and whose managers, in addition to management fees, are remunerated in relation to the fund's performance. For that purpose, hedge funds have few restrictions on the type of financial instruments in which they may invest and may therefore flexibly employ a wide variety of financial techniques, involving leverage, short-selling or any other techniques. This definition also covers funds that invest, in full or in part, in other hedge funds provided that they otherwise meet the definition. These criteria to identify hedge funds must be assessed against the public prospectus as well as fund rules, statutes or by-laws, subscription documents or investment contracts, marketing documents or any other statement with similar effect of the fund.

Real estate funds are investment funds primarily investing in real estate. The criteria for classifying an investment fund into real estate funds are derived from the public prospectus, fund rules, instruments of incorporation, established statutes or by-laws, subscription documents or investment contracts, marketing documents, or any other statement with similar effect.

Other funds are investment funds other than bond funds, equity funds, mixed funds, real estate funds or hedge funds.

Open-ended investment funds are investment funds, the units or shares of which are, at the request of the holders, repurchased or redeemed directly or indirectly out of the undertaking's assets.

Closed-ended investment funds are investment funds with a fixed number of issued shares and whose shareholders have to buy or sell existing shares in order to enter or leave the fund.

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 September 2012

The Central Bank today published the names of six unauthorised investment firms who are either claiming to be or holding themselves out to be an investment firm in the State or have been offering investment services to members of the Irish public.

Bond Asset Management (UK, Germany & Hong Kong), Profidex Limited (Japan), Sun-Wealth Corporate Finance (Japan), Zheng Bridge Capital (China), CT Lambson & Associates, LLC (USA), have been offering investment services to members of the Irish public and are not authorised as investment firms in Ireland.

MMA Capital Markets Limited, also known as MMA Forex & MMA FX is claiming or holding itself out as an investment firm in the State. This firm also purports to be based in the United Arab Emirates.

It is a criminal offence for an investment firm to operate in Ireland unless it has an authorisation from the Central Bank of Ireland. Consumers should be aware that, if they deal with an investment firm which is not authorised, they 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, the names of 191 unauthorised firms have been published by the Central Bank.

Notes to editors

The names of the above firms are published under the European Communities (Markets in Financial Instruments) Regulations 2007.

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

Retail Interest Rate Statistics: July 2012

14 September 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 were 12 basis points lower at end-July 2012, relative to the previous month. 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 2.86 per cent in July 2012. This was 47 basis points below the rate reported at end-July 2011.
- The corresponding rate reported by all credit institutions resident in the euro area was higher, at 3.72 per cent at end-July 2012, having fallen by 4 basis points since end-June 2012 and 18 basis points since end-July 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) to a greater extent than in the euro area as a whole, due to the relatively higher proportion of 'tracker' and other variable rate mortgage products in the Irish market.
- Interest rates on outstanding loans to households for consumption and other purposes were slightly lower at end-July, averaging 5.79 per cent compared with the previous month. 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, remained unchanged over the month at 8.95 per cent. The equivalent

rate reported by all credit institutions in the euro area was lower, at 7.78 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 per cent at end-July, 11 basis points lower on a month-to-month basis. There was a rate of 5.08 per cent reported by all euro area credit institutions for loans in this category at end-July 2012.

- With regard to new business, interest rates on new loans to households for house purchases remained relatively unchanged in July 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 per cent in July 2012, unchanged on the previous month. Loans in this instrument category accounted for over 90 per cent of new mortgage business so far in 2012. In the euro area overall, loans with either a floating rate or up to one year initial rate fixation accounted for around 30 per cent of new mortgage business over the same period. The equivalent euro area interest rate on variable rate and up to one year fixed rate mortgages in July 2012 was 3.09 per cent.
- The weighted average interest rate on new loans to households for non-housing purposes decreased in July 2012 to 6.95 per cent, from 7.39 per cent in June. New business volumes in this instrument category have been very low for the past year, averaging around €225 million per month. As a result, the interest rate series tends to be volatile.

Deposits from Households

- Interest rates on total outstanding household term deposits fell slightly in July 2012. The weighted average interest rate on household deposits with agreed maturity up to two years decreased by 4 basis points, to 3.6 per cent at end-July 2012. Meanwhile, interest rates on deposits with agreed maturity over two years rose by 1 basis point, to 2.54 per cent.
- Interest rates on household term deposits increased significantly during 2011 and early 2012, 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 with an average rate of 2.46 per cent reported for the euro area as a whole. 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 2.75 per cent, reflecting a more moderate increase of 29 basis points.
- With regard to shorter-term deposits, which are redeemable at notice, interest rates have been declining in recent months, following moderate increases during the first ten months of 2011[4]. At end-July 2012, the weighted average interest rate on deposits redeemable at notice was 1.8 per cent. This figure represents a decline of 61 basis points compared to the rate reported at end-July 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 interest rates for both instrument categories.
- In relation to new deposit business, interest rates on household term deposits fell in July 2012, to a weighted average rate of 1.69 per cent, compared with 1.95 per cent in June 2012 and 2.12 per cent in July 2011.

Non-Financial Corporations (NFCs)

Loans to NFCs

- Interest rates on outstanding loans to NFCs issued by Irish resident credit institutions continued to fall during July 2012. The weighted average interest rate on all outstanding NFC loans was 3.25 per cent at end-July, compared with 3.33 per cent at end-June. The equivalent rate at euro area level was 3.53 per cent at end-July.
- Longer-term loans to NFCs with an original maturity over five years accounted for 47 per cent of all outstanding loans issued to NFCs by Irish resident credit institutions at end-July 2012. The weighted average interest rate on these longer-term loans was 3.09 per cent, while the rates on short-term and medium-term loans[5] were 3.75 per cent and 3.04 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 4.6 per cent in July 2012, reflecting a decrease of 17 basis points compared with June. The equivalent rate reported by euro area credit institutions for July 2012 was 4.12 per cent. For new NFC loans over €1 million, the rate reported by Irish resident credit institutions also fell in July, to an average rate of 2.94 per cent, compared with an equivalent euro area rate of 2.48 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 small number of new contracts.

Deposits from NFCs

- The weighted average interest rate on outstanding NFC term deposits fell by 5 basis points to 2.94 per cent at end-July 2012. 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 2.99

per cent at end-July 2012. The equivalent rate at euro area level was 1.83 per cent, a fall of 5 basis points from end-June 2012.

- With regard to new deposit business, the weighted average interest rate on new NFC term deposits was 1.38 per cent in July 2012 – a fall of 13 basis points from June 2012. Over the same period, the equivalent rate for the euro area decreased by 3 basis points to 1.07 per cent.

[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 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.

New Research on SME Loan Default Modelling

18 September 2012

The Central Bank of Ireland today publishes new economic research (Research Technical Papers Vol. 2012, No. 6) entitled “Determinants of SME loan default: the importance of borrower-level heterogeneity”. Using data as of December 2010 for a subset of 6,000 SME loans, the paper analyses the borrower-level determinants of default across sectors and across the loan size distribution.

The key findings of the research are as follows:

- At December 2010, 18% of the loan volume in Construction was in default, while Real Estate, Hotels & Restaurants and Manufacturing were all between 10 and 15%.
- On average, SMEs with a larger loan, SMEs where management have less experience at the firm, SMEs with higher leverage, lower liquidity, lower current assets, lower trade debtors and lower profitability are more likely to default.
- The default rate falls as firm size increases (measured by turnover) and rises as loan size increases (a measure of risk).
- The majority of borrower-level determinants are found to have more predictive power among smaller firms and among larger loans. This suggests that particular attention should be paid to the financial health of small firms and borrowers with large exposures.
- There is a large degree of variation in the drivers of default across sectors, with most variables having explanatory power in some sectors. In high risk sectors (Construction, Financial/Real Estate/Professional Service and Hotels & Restaurants) large exposures affect default probabilities.

Note to Editors:

This paper is based on an earlier paper presented to the Central Bank of Ireland Conference ‘The Irish SME lending market: Descriptions, Analysis, Prescriptions’ on 2 March, 2012.

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

Central Bank of Ireland Issues Warning on Investment Firm

19 September 2012

The Central Bank of Ireland today published the name of an unauthorised investment firm. Yang Financial (China) has been offering investment services to members of the Irish public and is not authorised as an investment firm in Ireland.

It is a criminal offence for an investment firm to operate in Ireland unless it has an authorisation from the Central Bank of Ireland. Consumers should be aware that, if they deal with an investment firm which is not authorised, they 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, the names of 192 unauthorised firms have been published by the Central Bank.

Notes to editors

The names of the above firms are published under the European Communities (Markets in Financial Instruments) Regulations 2007.

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

21 September 2012

Market Operations

Technical features of Outright Monetary Transactions

On 6 September 2012, the Governing Council decided on a number of technical features regarding the Eurosystem's outright transactions in secondary sovereign bond markets that aim at safeguarding an appropriate monetary policy transmission and the singleness of the monetary policy. The framework for conducting these Outright Monetary Transactions is outlined in a press release published on the ECB's website on the same day.

Measures to preserve collateral availability

On 6 September 2012, the Governing Council decided on additional measures to preserve collateral availability for counterparties in order to maintain their access to the Eurosystem's liquidity-providing operations. These measures are outlined in a press release published on the ECB's website on the same day. They will come into force with the legal acts making the necessary amendments to the Eurosystem's collateral framework.

Prolongation of the swap agreement with the Bank of England

On 12 September 2012, in coordination with the Bank of England, the Governing Council decided to extend until 30 September 2013 the liquidity swap arrangement entered into by the two central banks on 17 December 2010. After a first prolongation on 25 August 2011, the arrangement was due to expire at the end of September 2012. A related press release is available on the ECB's website.

Common Eurosystem Pricing Hub - first release

On 17 September 2012 the Governing Council approved the launch of the "Common Eurosystem Pricing Hub" (CEPH), which will replace the two existing valuation hubs currently operated by the Banque de France (for the valuation of asset-backed securities) and by the Deutsche Bundesbank (for the valuation of other debt instruments). The CEPH will provide the Eurosystem with an integrated single platform delivering unique prices that will be used by all Eurosystem central banks to value collateral submitted in Eurosystem credit operations. The go-live of the first release of the CEPH took place on 21 September 2012.

Payment systems and market infrastructure

Amendment of the TARGET2 Core pricing scheme

On 7 September 2012, the Governing Council approved amendments to the TARGET2 core pricing scheme. This includes an increase of the participant's fees and aims at allowing TARGET2 to meet its initial cost recovery objective by the end of 2016. The changes will be reflected in the new TARGET2 Guideline and will enter into force in January 2013.

Advice on legislation

ECB Opinion on the stabilising budgetary policy and the creation of an anti-crisis treasury reserves account at Lietuvos bankas

On 3 August 2012, the Governing Council adopted Opinion CON/2012/63 at the request of the Lithuanian Ministry of Finance.

ECB Opinion on recapitalisation of the Banca Monte dei Paschi di Siena

On 3 August 2012, the Governing Council adopted Opinion CON/2012/64 at the request of the Italian Ministry of Economic Affairs and Finance.

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

On 13 August 2012, the Governing Council adopted Opinion CON/2012/65 at the request of the Austrian Ministry of Finance.

ECB Opinion on foreign trade reporting requirements in Germany

On 16 August 2012, the Governing Council adopted Opinion CON/2012/66 at the request of the German Federal Ministry of Economics and Technology.

ECB Opinion on Austrian reporting requirements for cross-border service transactions

On 24 August 2012, the Governing Council adopted Opinion CON/2012/67 at the request of the Oesterreichische Nationalbank.

ECB Opinion on the Irish Credit Unions

On 4 September 2012, the Governing Council adopted Opinion CON/2012/68 at the request of the Irish Minister for Finance.

ECB Opinion on a capital increase of the Banque centrale du Luxembourg

On 7 September 2012, the Governing Council adopted Opinion CON/2012/69 at the request of the Banque centrale du Luxembourg.

ECB Opinion on Irish measures relating to personal insolvency

On 14 September 2012, the Governing Council adopted Opinion CON/2012/70 at the request of the Irish Minister for Finance.

ECB Opinion on strengthening bank stability in Slovenia

On 19 September 2012, the Governing Council adopted Opinion CON/2012/71 at the request of the Slovenian Ministry of Finance.

Issuance of Banknotes and Coins / Banknotes

Amendments to the legal framework for the recirculation of euro banknotes

On 7 September 2012, the Governing Council adopted Decision ECB/2012/19 amending Decision ECB/2010/14 on the authenticity and fitness checking and recirculation of euro banknotes, in order to cater for the introduction of the second series of euro banknotes and to clarify certain requirements. The Decision was published in the Official Journal of the European Union on 20 September 2012 and is also available on the ECB's website.

Corporate governance

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

On 14 September 2012, the Governing Council adopted Recommendation ECB/2012/20 to the Council of the European Union on the external auditors of the Central Bank of Ireland. The Recommendation will be published shortly in the Official Journal of the European Union and on the ECB's website.

New ECB premises project

The Governing Council reviewed the progress of the construction works of the new ECB premises and the related cost developments. A press release was published on the ECB's website on the occasion of the topping out ceremony that took place on 20 September 2012.

Central Bank Publishes New Economic Letter on Fiscal Compact

25 September 2012

The Central Bank of Ireland today publishes a new Economic Letter (Economic Letters Vol. 2012, No. 9) entitled 'Fiscal Compact – Implications for Ireland'.

The Letter examines the longer-term implications for Ireland of changes in EU budgetary rules set out in the Fiscal Compact (or 'Treaty on Stability, Co-ordination and Governance'). It presents illustrative scenarios demonstrating the on-going correction in the budgetary position needed to support compliance with these new rules. In recognition of the high degree of uncertainty surrounding future economic growth outturns, the Letter presents a new fanchart modelling technique. This shows the budgetary implications which could arise, were growth to deviate from its currently projected path.

Although the projections set out in the Letter demonstrate that fiscal targets remain on track to 2015, many uncertainties prevail. Findings confirm that uncertainty around these fiscal projections is high. Notwithstanding this, the Letter notes the government's commitment to ensure EU-IMF programme (and European Council EDP) targets to 2015 are complied with. The Letter serves to re-affirm that the future fiscal paths depend jointly on policy decisions taken to date and potential exogenous shocks to the economy.

On the basis of currently specified consolidation efforts to 2015, the paper assumes a 0.5 per cent structural improvement per annum from 2016 onwards, in line with the existing Medium Term Objective (MTO) path set for Ireland by the European Commission under the Stability & Growth Pact. The paper does not comment on how much of this necessary correction originates from the benefits of past structural reforms undertaken, relative to how much would need to come in the form of additional consolidation efforts.

The paper finds that on this basis, a structural balance of -0.5 per cent of GDP (the Balance Budget Rule) as required under the Fiscal Compact is reached by 2020. It also finds that compliance with the Debt Rule is achieved before its assumed entry into force in 2019.

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

June 2012 Consolidated Banking Statistics: Foreign Claims

25 September

Domestic Banks' Foreign Claims decreased by 4.6 per cent to €127 billion at end Q2-2012

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. The dataset used is similar in methodology to the Consolidated Banking Statistics published by the Bank for International Settlements (BIS), but differs in coverage, as it refers only to the domestic Irish banks[1].

At end-June 2012, the domestic banks had foreign claims of €127 billion, reflecting a decrease of €6.2 billion over the quarter. The decrease was largely due to a decline in claims on the UK private sector. This sector accounts for by far the largest share of domestic banks' claims, with private-sector residents of the US also accounting for a significant proportion. Claims on foreign private sectors are predominant, accounting for approximately 76 per cent of total foreign claims, while claims on foreign public sectors are relatively low. The decline over the quarter means that total foreign claims have decreased by 17 per cent since end-June 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-June 2012 data show that local claims[2], at €95 billion, were far greater than cross-border claims which stood at €32 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-June 2012, cross-border claims had declined by 31 per cent when compared to June 2011, while local claims had declined by 11 per cent.

The domestic banks' largest foreign claims are on the United Kingdom (including Northern Ireland), with exposures of €95 billion located there at end-June 2012. Foreign claims on the UK decreased by 4.7 per cent over the quarter. Claims on the UK private sector decreased by 8.7 per cent, while claims on the UK public sector and UK credit institutions increased by 14.1 per cent and 28.3 per cent, respectively, over the quarter. 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.

The outstanding amount of foreign claims on the US increased by just over 3 per cent during Q2 2012. This was driven by increases in claims by domestic banks on US credit institutions and the US public sector. Claims on the private sector, which account for approximately 71 per cent of US claims, fell by 3.4 per cent during the quarter. Local claims on the US increased by 6.6 per cent during the quarter, while cross-border claims increased by 1.3 per cent.

France, Spain and Germany continue to hold a sizeable share of the foreign claims, although they declined by a collective €877 million over the quarter. Claims on the Isle of Man decreased by €277 million over the same period. However, it remains the fifth largest in terms of foreign claims at end-June 2012.

At end-June 2012, 76 per cent of foreign claims were on the non-bank private sector, having declined from 79 per cent at end-March. Foreign claims on the private sector fell during the quarter by 8.1 per cent, while claims on credit institutions and the public sector both increased, by 8.3 per cent and 8.8 per cent, respectively. Credit institutions accounted for 12.8 per cent of foreign claims at end-June 2012, while the public sector accounted for 10.9 per cent.

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 June 2012. Derivatives decreased by €92 million during Q2 2012, while credit commitments and guarantees also declined by €223 million and €569 million, respectively. 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.

Statement Following Publication of Credit Union Bill 2012

28 September 2012

The Central Bank welcomes the publication, today, of the Credit Union Bill 2012. The Registrar of Credit Unions, James O'Brien, said

"The Credit Union Bill 2012 represents a pivotal moment in the history of the credit union sector. This Bill creates a modern regulatory framework within which credit unions can develop prudently and provides for the necessary restructuring of the sector to make it sustainable into the future.

"We are pleased that the Bill reflects the agreed recommendations contained in the Report of the Commission on Credit Unions. The early implementation of all of the recommendations contained in this Report is vital. This is important to enable the beginning of a process of credit union sector reshaping and development founded on good governance, robust systems and strong balance sheets."

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

Central Bank of Ireland Publishes August 2012 Money and Banking Statistics

28 September 2012

The Central Bank of Ireland today published the August 2012 Money and Banking Statistics[1]

Loans and other credit

- Loans to households continued to decline during August 2012 and were 3.7 per cent lower on an annual basis, following a decline of 3.6 per cent for the year ending July 2012. Lending for house purchase was 2.1 per cent lower on an annual basis in August 2012, while lending for consumption and other purposes declined by 8.3 per cent over the same period.
- Lending to households declined by €500 million during the month of August, following a net monthly decrease of €471 million in July. Developments in August were mostly driven by a decline in loans for other purposes of €277 million. Loans for house purchase also fell by €151 million, while loans to households for consumption declined by €72 million.
- The monthly net flow of loans to households averaged minus €305 million in the three months ending August 2012, which consists of average net flows of minus €71 million in loans for house purchase, minus €104 million in loans for consumption purposes, and minus €130 million in lending for other purposes.
- Lending to Irish resident non-financial corporations (NFCs) declined by 3.2 per cent in the year ending August 2012, following an annual decline of 3.4 per cent in July 2012.
- On a monthly basis, loans to NFCs decreased by €234 million during August, following a decrease of €297 million in July. The monthly net flow of loans to NFCs averaged minus €310 million in the three months ending August 2012, compared with an average of minus €345 million in the three-month period up to end-July 2012.
- Short-term loans to NFCs with an original maturity of up to one year, which includes the use of overdraft facilities, declined by €217 million during August 2012, following an increase of €162 million in July. Medium-term loans with an original maturity between one and five years also fell during August, by €268 million, while longer-term NFC loans increased by €251 million.
- On an annual basis, longer-term NFC loans with an original maturity over five years increased by 0.2 per cent in August 2012. Short-term NFC loans also increased, as loans with an original maturity up to one year grew by 1.1 per cent in the year ending August 2012. Meanwhile,

NFC lending between one and five years original maturity declined by 11 per cent over the period.

- Credit institutions' holdings of debt and equity securities issued by the Irish private sector declined by €116 million during the month of August 2012, with an annual rate of change of minus 9.8 per cent. This follows a decline of 10.9 per cent for the year ending July 2012. The fall in holdings of private-sector securities during August reflects developments in holdings of debt securities issued by Other Financial Intermediaries (OFIs).

Deposits and other funding

- The annual rate of change in Irish resident private-sector deposits turned positive in August 2012 for the first time since June 2010. Private-sector deposits increased by 0.7 per cent over the year ending August 2012, compared with an annual decline of 0.8 per cent at end-July. Deposits from households were 0.8 per cent higher on an annual basis at end-August, while deposits from Insurance Corporations and Pension Funds (ICPFs) and OFIs increased by 1.7 per cent. Deposits from NFCs fell by 0.9 per cent over the same period.
- There was a month-on-month increase of €1.6 billion in Irish resident private-sector deposits during August 2012, reflecting increases across three of the four depositor sectors. The OFI sector accounted for €1.2 billion of this increase, reflecting developments in deposits held in an IFSC-based bank by an affiliated OFI. Household deposits increased by €268 million during August, while NFC deposits increased by €131 million. ICPF deposits declined by €63 million during the month.
- Private-sector overnight deposits increased by €175 million during August 2012. Overnight deposits from households grew by €309 million during the month, while ICPF overnight deposits increased by €41 million. Overnight deposits from both NFCs and OFIs declined during August by €23 million and €153 million, respectively.
- Deposits with agreed maturity up to two years increased by €926 million in August 2012, largely reflecting developments in the OFI sector. Deposits in this category from NFCs and households also increased, by €184 million and €92 million respectively, while ICFP deposits with agreed maturity up to two years fell by €134 million over the same period.
- Private-sector deposits from non-residents increased by €712 million during August 2012. Other euro area private-sector residents accounted for €381 million of this increase, while private-sector deposits from non-euro area residents increased by €331 million. Total non-resident private-sector deposits were 4.9 per cent lower on an annual basis at end-August 2012, with deposits from other euro area private-sector entities being 7.9 per cent lower, and those from the non-euro area private sector 3 per cent lower.

- Total deposits from non-residents, including deposits from MFIs, general government and the private sector, fell by €10.8 billion during August 2012, largely driven by developments in deposits from affiliated non-resident credit institutions.
- Credit institutions' borrowings from the Central Bank as part of Eurosystem monetary policy operations declined by €576 million in August 2012. The outstanding stock of borrowings from the Eurosystem by Irish resident credit institutions amounted to €83.8 billion at end-August. Domestic market credit institutions[2] accounted for €71.4 billion of this total outstanding stock.
- 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-August 2012, the outstanding amount of these bonds was €8.3 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.

Publication of Quarterly Bulletin 4 Signed Articles

3 October 2012

The Central Bank of Ireland has today published the signed articles contained in its Quarterly Bulletin 4 for 2012:

‘Ireland’s Financial Crisis: A Comparative Context’

‘Measuring Shadow Banking using Granular Data’

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

Publication of EBA Recapitalisation Exercise – Irish Banks

3 October 2012

The Central Bank of Ireland notes the announcements made today by the European Banking Authority (EBA) regarding the final assessment of the capital exercise and fulfilment of the EBA December 2011 Recommendation.

Background

The EBA Recommendation on the creation of temporary capital buffers to restore market confidence was adopted by the Board of Supervisors on 8 December 2011 to address the difficult situation in the EU banking system, especially with regard to sovereign exposures, by restoring stability and confidence in the markets. The EBA Recommendation was part of a suite of measures agreed at EU level.

The EBA Recommendation called on National Authorities to require banks, included in the sample, to strengthen their capital positions by building up an exceptional and temporary capital buffer such that their Core Tier 1 capital ratios reached a level of 9% by the end-June 2012. In addition, these banks were required to hold an exceptional and temporary capital buffer against sovereign debt exposures to reflect market prices as at the end-September 2011. The amount of the sovereign capital buffer has not been revised.

Results

Allied Irish Banks plc (AIB), Bank of Ireland (BOI) and permanent tsb plc (PTSB) meet the 9% Core Tier 1 ratio at end-June 2012, including the sovereign buffer, as required in the EBA December 2011 recommendation. This is evident by the below table detailing the Irish Bank's June 2012 Core Tier 1 figures;

Institution	Core Tier 1 (June-12) before sovereign buffer	Core Tier 1 (June-12) after sovereign buffer
AIB	17.3%	16.4%
BOI	14.0%	13.8%
PTSB	20.5%	20.4%

Detailed results for AIB, Bank of Ireland and PTSB have been published by the individual institutions and the Central Bank.

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 Bank of Ireland Mortgage Bank

4 October 2012

The Central Bank of Ireland (the "Central Bank") has entered into a Settlement Agreement with effect from 2 October 2012 with Bank of Ireland Mortgage Bank (the "Firm"), a regulated financial services provider, in relation to breaches of Section 31(3) of the Asset Covered Securities Act 2001 (as amended) (the "ACS Act") and Regulation 16 of the European Communities (Licensing and Supervision of Credit Institutions) Regulations 1992 (as amended) (the "Regulations").

Reprimand and fine

The Central Bank reprimanded the Firm and required it to pay a monetary penalty of €120,000.

Breaches

The breaches identified are:

- during the period 4 April 2011 to 20 December 2011 (the "Period") the Firm held credit transaction assets in excess of the 10% cap on the holding of such assets set out in Section 31(3) of the ACS Act; and
- during the Period, the Firm failed to have in place adequate internal controls to enable the Firm to identify or ensure compliance with the limit on credit transaction assets.

Asset Covered Securities

The ACS Act regulates Asset Covered Securities. These are securities, usually bonds, which are issued by a credit institution authorised by the Central Bank for the purpose of the ACS Act. The Firm is designated as a mortgage credit institution under the ACS Act and is obliged to comply with its provisions. Asset Covered Securities are backed by a defined pool of assets, in this case mortgages. The purchaser of Asset Covered Securities knows that a pool of assets (the "Pool") is protecting their investment. Although the assets in the Pool can change, the value of the assets cannot drop below a required level.

Credit transaction assets

The ACS Act also includes requirements relating to other assets which are held outside the Pool. One such class of assets is credit transaction assets. These are certain assets which come from credit transactions.

The ACS Act gives firms a limited ability to engage in other activities besides issuing Asset Covered Securities. Issuers of Asset Covered Securities can therefore engage in other credit transactions. To ensure that a firm's ability to engage in other activities remains limited, the ACS Act places a cap on the proportion of credit transaction assets which can be held by a firm, outside the Pool, at 10% of the total value of the firm's assets.

Background to breach of 10% cap

The breach by the Firm of the 10% cap set out in Section 31(3) arose as a result of the downgrading of Bank of Ireland's long term credit rating in April 2011. The Firm's credit transaction assets consisted of deposits in Bank of Ireland. This downgrade in Bank of Ireland's rating led to certain deposits held by the Firm in Bank of Ireland being reclassified as credit transaction assets. The result of this was that the percentage of credit transaction assets held by the Firm (being assets held outside the Pool) exceeded the 10% cap set out in Section 31(3). This breach of the legislation continued from 4 April 2011 to 20 December 2011.

On being made aware of the breach by the Central Bank the Firm immediately took steps to return to compliance with Section 31(3), which occurred on 21 December 2011.

Penalty decision factors

The penalties imposed in this case reflect the importance the Central Bank places on compliance with all aspects of the Asset Covered Securities legislation and adequate systems and controls to ensure such compliance.

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

- no investors were affected;
- the Cover-Assets Monitor has confirmed that at all times the Pool remained in compliance with all requirements of the ACS Act, including over-collaterisation requirements on both a regulatory and contractual basis;
- the integrity of the Pool was not impacted in any way;
- the Firm took appropriate action to rectify the breaches once made aware of them;
- the Firm has introduced enhanced procedures and controls to prevent future incidences of this nature; and
- the cooperation of the Firm during the Central Bank's 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 second settlement by the Central Bank with a firm for breaches of the Asset Covered Securities legislation in the last three years.

"Breaches of Asset Covered Securities legislation have the potential to undermine confidence in the Asset Covered Securities market. The cornerstone of the Asset Covered Securities market is the confidence that investors can take from the primary legislation which affords them preferential creditor status and restricts the activities, and the risks, that Asset Covered Securities issuers can take on. In the absence of this legislation and protection, investors would view the product as a riskier product and demand additional return from their investment.

"Any breach of the Asset Covered Securities legislation can negate the positive effect of the legislation and is viewed as a serious matter. The Central Bank is tasked with monitoring compliance with the legislation and the taking of enforcement action, where needed, should reinforce the confidence of investors in the Asset Covered Securities market. In light of the importance of compliance with the Asset Covered Securities legislation, the Central Bank will continue to use its range of regulatory tools including enforcement where regulated entities fall short of the required standards.

"Regulated entities must have proper and effective systems and controls in place to ensure compliance with the Assets Covered Securities legislation as well as all other legislative requirements.

"The pursuit of enforcement actions in respect of systems and controls failings and breaches of prudential requirements are two of the Central Bank's Enforcement Priorities for 2012 and, for that reason, where breaches of these regulatory requirements occur, regulated entities and their management should expect vigorous investigation and follow up by 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 4 2012

5 October 2012

The Central Bank of Ireland today published Quarterly Bulletin 4 2012.

The 2012 Compendium of Irish Economic Statistics have also been published.

Comment

Helped by both the strong adherence to EU/IMF Programme targets and promised and actual initiatives at euro area level, recent months have seen a significant fall in Irish bond yields and, while still tentative, a regaining of access to market funding by the Irish sovereign. The significant improvement in market sentiment towards Ireland over the Summer owes much to the statement issued following the EU Summit in late June, recognising the imperative to break the vicious circle between banks and sovereigns and, specifically, the need to deal with Ireland's banking-related debt. Encouragingly, at the euro area level, market sentiment has also improved markedly since August, benefitting from the signals sent and steps taken by the ECB to put in place a new framework for intervention in bond markets. However, while recent developments have positive implications for the financing of governments and banks, risks remain, both at the European and domestic levels. At home, continued adherence to the Programme targets remains essential while, both here and elsewhere, progress on the resolution of euro area sovereign debt and banking problems will have a crucial bearing on how the wider environment evolves.

Economic developments also pose risks. In recent months, signs have emerged of a more marked slowdown at the broader international level, as the dampening impact of the strains in financial markets is felt. The small and open nature of the Irish economy, allied to the dependence on export growth to offset domestic economic weakness, makes the economy more vulnerable to a weakening in the external economic environment. Following GDP growth of 1.4 per cent in 2011, the latest data indicate that activity has slowed, with GDP growing by 0.5 per cent, on a year on year basis, in the first half of this year. The underlying narrative behind the data has not changed. Although slowing, exports continue to grow, while domestic demand remains weak. Reflecting the modest rate of growth and its composition, employment has yet to stabilise and it is likely to be next year before any employment growth starts to emerge.

These developments suggest a slight downward revision of around 0.2 per cent to GDP growth projections, as compared to those published in the last Bulletin. GDP growth is now projected to moderate to 0.5 per cent in 2012, with GNP forecast to contract by 0.4 per cent. This is expected to be followed by a pickup in growth in 2013, to around 1.7 per cent in GDP terms and 0.7 per cent in GNP terms, based on some recovery in external demand next year, alongside a gradual stabilisation in the domestic economy.

Despite the sluggishness of the domestic economy, there continues to be good progress on the key policy issues. Fiscal developments remain broadly on track, despite weaker than expected growth, with the outturn for this year likely to be below the Programme ceiling. While difficult decisions have to be made, there is no case for easing back on existing Programme commitments. The adverse effect of the fiscal contraction has not been worse than expected. The undershoot in Irish GDP since the beginning of the Programme is broadly comparable to what has occurred in the rest of the euro area and is largely a result of the weaker external environment. At a minimum, continued adherence to the deficit targets set out in the Programme is essential. Meeting these targets has helped Ireland to go some way towards re-establishing its reputation for credible policymaking and, in turn, has contributed significantly to lowering Irish bond yields and also enabling Ireland to qualify for a reconsideration of its banking debt, with the aim of improving sustainability. Indeed, without increasing the overall scale of fiscal correction, there is a case for getting the adjustment over more quickly. This would shorten the already lengthy period of uncertainty which has been bad in itself and has doubtless slowed investment and other spending plans. By getting the economy back as fast as practicable onto a footing that offers confidence to all can help underpin a faster recovery of jobs and output.

In the banking sector, progress continues to be made, with the restructuring of the sector on-going. Deposit inflows at domestic banks continue to be recorded and are helping to gradually reduce the dependence on central bank funding, although this still remains at a high level. Banks are also continuing to adjust their balance sheets through deleveraging, with around two-thirds of the end-2013 PLAR target now having being achieved for the system as a whole. To guard against unintended consequences of deleveraging on the supply of credit or deposit pricing, the framework has been modified and will now also take account of banks’ overall liquidity positions and the funding of core operations. However, funding challenges still remain and, allied to pressures from asset quality and returns, are continuing to pressure profitability. Banks have responded to this by moving to rationalise operations and reduce costs and, more generally, to adjust their business models. While banks continue to work through the legacy of the boom, it is important to ensure that an adequate flow of credit to households and the SME sector is provided.

Improving the economy’s competitive position is a necessary prerequisite to increasing resilience to shocks and boost growth potential. This is especially so in circumstances where export growth has been a significant mitigating factor in the downturn. While Ireland has regained some of the competitiveness lost during the boom, the standard international measures of competitiveness and productivity growth overstate the degree of improvement which has occurred. As pointed out previously, the sectoral shift away from low productivity sectors in recent years has led to an overstatement of the recorded improvement. Reflecting this, the gains in competitiveness which have occurred need to be further reinforced. One important way to do this would be to press ahead with public sector reforms to deliver the maximum possible level of public services from the reduced resources available for expenditure. More generally, pay remains high in both the public and private sectors, adding to costs and prices in the economy, and no doubt discouraging expansion and investment projects by exporting firms. While the difficulties of addressing some of these issues are acknowledged, a lowering of the cost base, both public and private, would make a significant contribution to improving competitiveness and productivity in a fundamental way. This would make clear that the economy is capable of adapting to changed circumstances and would be very beneficial to the recovery process.

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

Central Bank Requests Firms to Review PPI Sales and to Contact all Their PPI Customers

8 October 2012

The Central Bank of Ireland today issued an update on its on-going investigation into the sale of PPI policies. At the request of the Central Bank the firms listed below[1] have commenced reviews of their PPI sales since August 2007. During September the Central Bank extended its investigation to look at PPI sales by other banks and credit institutions. Enforcement actions are also being considered.

At this point we are naming the firms which, at our request, have begun their reviews and who will be communicating with their customers over the coming weeks to outline the approach they will be taking and the expected timelines for completion of their reviews. We will update consumers as developments arise in relation to other firms. We cannot comment further on other firms at this time.

The Central Bank has instructed the firms carrying out the reviews to engage independent third parties to oversee their reviews: the Central Bank will be closely monitoring the reviews throughout the process.

Director of Consumer Protection Bernard Sheridan said: 'The Central Bank is requiring the firms to take an orderly, co-ordinated and consistent approach to their reviews and we will continue to monitor them closely. Consumers of the firms undertaking the reviews do not need to do anything at this point; they will be contacted directly by their PPI seller in relation to the review process and next steps.'

The Central Bank is aware that a significant number of PPI related complaints and enquiries are being referred to firms by claims management companies on behalf of consumers. It is important for consumers to know that such companies charge fees and that the costs to the consumer can be significant.

Complaints regarding the sale of PPI since August 2007 will be investigated by the firms listed as part of their reviews. All other PPI complaints must be dealt with in compliance with the 2012 Consumer Protection Code, including those relating to sales prior to August 2007.

Notes to editors

Claims Management Companies may charge up-front fees to act for consumers and / or charge fees up to 25% of any refund due to a consumer

[1] Bank of Ireland, Allied Irish Banks, EBS, GE Money, Ulster Bank and Permanent TSB

New Research on Residential Property Auctions

9 October 2012

The Central Bank of Ireland today publishes new economic research (Economic Letters Vol. 2012, No. 10) entitled "Residential Property Auctions: What do they tell us?" At present, where there is considerable uncertainty surrounding the property market and transaction activity has declined, auctions can help to provide some transparency. Using data from property auctions held over the last 18 months, the Letter analyses what the auction results can tell us about this element of the residential property market.

The key findings are as follows:

- The analysis suggests that properties at auction sold, on average, 65 per cent below peak asking prices.
- The analysis also shows Dublin properties achieved auction prices closer to market asking prices than properties outside of Dublin, while houses achieved relatively better prices than apartments.
- Rental yields achieved on the properties sold at auction are above current market yields and at levels similar to those seen in the mid-1990s.
- In terms of finance, the majority of sales at the auctions were cash sales - supporting the case for greater information on this element of the market.

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

Central Bank Announces 2012 Credit Union Regulatory Forum Series

10 October 2012

The Central Bank has announced the 2012 series of Credit Union Regulatory Forums will begin in Limerick today. The Regulatory Forums, now in their third year, offer credit union officers who hold key governance positions an opportunity to discuss regulatory policy, operations and the future shape and direction of the sector.

Registrar for Credit Unions James O'Brien said "In these continuing difficult times for credit unions it is imperative that strong leadership comes from all stakeholders in the sector to ensure the safety of members savings and the financial stability and future prosperity of the sector as a whole. We welcome direct interaction with directors, managers and supervisors of credit unions as these discussions provide us with invaluable input for shaping regulatory policy to provide the framework for the sector to achieve this".

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

Attendance at the Forums is by invite only to credit union officials. The meeting schedule for the Regulatory Forum[1] is:

Date	Location
10 October	Limerick
11 October	Cork
16 October	Kilkenny
17 October	Athlone
18 October	Sligo
23 October	Dublin
24 October	Dublin

[1] All events will take place at 7:30pm

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

10 October 2012

The Central Bank of Ireland today published the name of an unauthorised investment firm. Drake Merger Management (Japan) has been offering investment services to members of the Irish public and is not authorised as an investment firm in Ireland.

It is a criminal offence for an investment firm to operate in Ireland unless it has an authorisation from the Central Bank of Ireland. Consumers should be aware that, if they deal with an investment firm which is not authorised, they 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, the names of 193 unauthorised firms have been published by the Central Bank.

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

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

11 October 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-August 2012. The dataset contains information on the volume of bonds and notes issued during August, as well as the market valuation of outstanding equity shares by sector of issuer at end-August. The sectors of the issuers are: banks; Government; other financial intermediaries; non-financial corporates; and insurance companies and pension funds.

Overview:

- At end-August 2012, the outstanding amount of debt securities issued by Irish financial and non-financial firms, and the Government of €1.02 trillion, remained broadly unchanged from August 2011. This contrasts with a year-on-year increase of 3.5 per cent across the euro area.
- Market-based debt financing for the banking sector continued to contract during August with net redemptions of €2 billion. The outstanding amount of debt securities for this sector saw a year-on-year fall of 27 per cent.
- At end-August 2012, Irish resident investors accounted for 27 per cent of long-term Irish Government bonds compared with 20 per cent in August 2011.
- Equity shares outstanding had a value of €194.2 billion at end-August. This includes quoted shares issued by Irish residents (€193.7 billion) which saw a year-on-year net increase of 29 per cent (driven primarily by increases in the NFC sector).
- In contrast, for euro area residents the year-on-year increase in the outstanding amount of quoted shares was 5.7 per cent.

Government Debt Issuance:

- The outstanding value of long-term Government debt increased by approximately €4.2 billion to €87.4 billion at end-August[1].
- This represents a year-on-year decrease of approximately 3 per cent when compared with August 2011 (€89.9 billion).
- The NTMA made total issuances of more than €5.2 billion in August including bond switches (approximately €1 billion) plus outright cash

sales (approximately €4.2 billion)[2]. These new issues included bonds that will mature in 2017 and 2020.

- €16.9 billion (or 19 per cent) of euro-denominated long-term debt will fall due over the next 3 years (Table 1); 61 per cent of which is payable to non-resident investors.

Holdings of Government Bonds:

- At end-August 2012, Irish resident investors accounted for 27 per cent of long-term Irish Government bonds compared with 20 per cent in August 2011.
- Approximately 43 per cent (or €26.7 billion; see Figure 2) of those long-term bonds held by non-resident investors will mature between 2020 and 2025.
- The Irish banking sector accounted for a significant portion of this increase; with 25 per cent of all holdings at end-August 2012 (or €21.4 billion), compared with 20 per cent at end-August 2011.

Banking Sector:

- Market-based debt financing for the banking sector continued to contract during August (down €2 billion). This is the sixteenth consecutive month where this sector has reduced its quantum of outstanding debt securities.
- The outstanding amount of debt securities saw a year-on-year fall of 27 per cent with short-term debt contracting by 46 per cent. These reductions are in line with recent global trends as financial institutions worldwide reduced their debt in international markets by $137 billion in Q2 2012[3].
- Over the past 12 months, the total outstanding amount of debt securities for the euro area increased by 4.6 per cent.
- €35.6 billion, or 41 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 fell by €392 million (or 3 per cent) in August 2012 but in terms of year-on-year change, there has been no movement.

Non-Financial Corporates:

- The outstanding amount of debt securities issued by non-financial corporates (NFC) was €2.8 billion at end-August 2012, or broadly unchanged from August 2011. The year-on-year increase in the outstanding debt securities for NFCs resident in the euro area was 11.9 per cent.

- Approximately €607 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 decreased by €711 million in August but is 32 per cent higher when compared to August 2011. The year-on-year increase in quoted equity securities for NFCs in the euro area was 7.1 per cent.

Notes:

- The statistics are based on Irish resident sectors issuances of securities where an ISIN[4] 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 (but principally includes euro-denominated debt)

[2] The settlement date for all bonds was 2nd August

[3] International debt securities issuance in the second quarter of 2012 (Bank for International Settlements, September 2012)

[4] 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: August 2012

12 October 2012

The Retail Interest Rate Statistics 2012[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. Notwithstanding the fact that a distinction is not made between Irish residents and residents of other euro area member states, Irish residents accounted for approximately 99 per cent of outstanding household loan & deposit activity and 88 per cent of outstanding NFC loan & 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 retail interest rate statistics purposes, new business is defined as any new agreement between the customer and the credit institution. This agreement covers all financial contracts that specify, for the first time, the interest rate of the deposit or loan, including any re-negotiation of existing deposits and loans[3].

Households

Loans to Households

- Interest rates on outstanding loans to households for house purchase were slightly lower as of end-August 2012, falling just under two basis points compared with the previous month. The weighted average interest rate on outstanding mortgage loans with an original maturity of over five years (which accounted for 99 per cent of outstanding mortgage loans) was 2.84 per cent at end-August 2012, representing a 22 basis point decline since the beginning of the year.
- The corresponding interest rate reported by all credit institutions resident in the euro area declined to 3.67 per cent in August 2012, having fallen 5 basis points from the previous month and 22 basis points since the beginning of the year. Average interest rates on outstanding mortgages in Ireland have reflected innovations in the ECBs main refinancing rate (MRO) to a greater extent than the euro area over the last number of years (Chart 1). This relationship is principally derived from the higher proportion of 'tracker' and other variable rate mortgage products in the Irish market.
- Interest rates on outstanding loans to households for consumption and other purposes declined to 5.74 per cent at end-August 2012, falling nearly 60 basis points since August 2011. The interest rate on short-term loans for consumption and other purposes with an agreed

maturity up to one year[4] increased by 5 basis points in August 2012, to stand at 9 per cent. The analogous short-term rate reported by all credit institutions in the euro area was significantly lower at 7.77 per cent. In terms of longer-term rates, the weighted average interest rate reported by Irish resident credit institutions on loans with an original maturity over five years was 3.98 per cent at end-August, falling 45 basis points since August 2011. In the euro area, the equivalent long-term interest rate reported by all credit institutions stood at 5.05 per cent at end-August 2012.

- In relation to new business, the weighted average interest rate on loans for house purchase with either a floating rate or initial rate fixation of up to one year was 2.91 per cent at end-August 2012, falling from 3 per cent in the previous month. Loans in this instrument category have accounted for 93 per cent of new mortgage business as of end-August 2012. In contrast, loans in the same instrument category accounted for just 28 per cent of new mortgage business in the euro area. The corresponding interest rate on loans for house purchase with a either a floating rate or an initial fixation period of up to one year in the euro area was 2.94 per cent.
- The weighted average interest rate on new loans to households for non-housing purposes decreased further in August 2012, falling from 6.95 per cent in July to 6.28 per cent. New business volumes in this instrument category have been quite low for the past year or so, averaging approximately €226 million per month. As a result, the corresponding interest rate series has exhibited a heightened level of volatility.

Deposits from Households

- Interest rates on total outstanding household term deposits declined in August 2012, falling from 3.47 per cent in July to 3.41 per cent. The weighted average interest rate on household deposits with an agreed maturity of up to two years decreased by 6 basis points, standing at 3.54 per cent at end-August 2012. In terms of longer-term interest rates, deposits with an agreed maturity over two years have remained broadly unchanged in August 2012.
- Interest rates applicable to household term deposits increased significantly during both 2011 and the first half of 2012. The rapid rise in interest rates being offered to households was primarily driven by credit institutions' need to secure additional funding, incentivising said institutions to offer increasingly attractive rates on longer-term deposit products. Towards the end of 2010, the weighted average interest rate being reported by Irish resident credit institutions on term deposits was in the region of 2.8 per cent. In a similar fashion, the corresponding rates being offered by credit institutions in the euro area was around 2.4 per cent. Since end-December 2010, Irish resident credit institutions have reported an increase of 63 basis points in total term deposits to

end-August 2012, with euro area credit institutions reporting an equivalent increase of 27 basis points over the same period. Notwithstanding this trend, more recently term deposit interest rates have begun to fall. Total term deposit rates reported by Irish resident credit institutions declined from a high of 3.53 per cent in April 2012 to 3.41 per cent at end-August 2012. Correspondingly, total term deposit interest rates in the euro zone declined from 2.81 per cent in March 2012 to 2.73 per cent at end-August 2012.

- In relation to shorter-term deposits, which are redeemable at notice, interest rates have continued to decline over the last number of months[5]. At end-August 2012, the weighted average interest rate on deposits redeemable at notice was 1.79 per cent, representing a decline of 64 basis points since end-October 2011. Deposit volumes suggest that households are moving out of short-term products, which are redeemable at notice, and into longer-term deposits with agreed maturity, reflecting the higher interest rates currently being offered for term deposits by credit institutions.
- In terms of new deposit business, interest rates on household term deposits declined to 1.63 per cent at end-August 2012, compared with 1.69 per cent in July 2012.

Non-Financial Corporations (NFCs)

Loans to NFCs

- Interest rates on outstanding loans to NFCs issued by Irish resident credit institutions continued to decline in August 2012. The weighted average interest rate on all outstanding NFC loans was 3.17 per cent at end-August, compared with 3.25 per cent at end-July. The equivalent euro area weighted average interest rate was 3.48 per cent at end-August 2012.
- Loans with an original maturity of over five years accounted for 48 per cent of all outstanding loans issued to NFCs by Irish resident credit institutions as of end-August 2012. The corresponding weighted average interest rate on these longer-term loans was 3.07 per cent. Over the same period, interest rates applicable to both short- and medium-term loans[6] were 3.58 per cent and 2.94 per cent respectively.
- The weighted average interest rate on new loans to NFCs up to €1 million[7] stood at 4.65 per cent at end-August 2012, increasing some 4 basis points compared with July of the same year. The corresponding interest rate reported by all euro area credit institutions in August was 3.93 per cent. In terms of new business NFC loans above €1 million, Irish resident credit institutions reported a fall of 18 basis points in August 2012, to an average rate of 2.76 per cent. In a similar fashion, the equivalent euro zone interest rate declined by 26 basis points over the same period. However, pronounced month-on-month volatility in this

interest rate series is primarily derived from particularly low volumes in the respective instrument categories. Low new business volumes can lead to heightened volatility as relatively few contracts can cause sizable movements within the overall series.

Deposits from NFCs

- The weighted average interest rate on outstanding NFC term deposits declined by 15 basis points in August 2012, to stand at 2.79 per cent. Deposits with agreed maturity up to two years, which accounted for 96 per cent of all NFC term deposits, fell by 15 basis points to 2.84 per cent at end-August 2012. The equivalent rate at euro area level was 1.84 per cent at end-August 2012.
- In relation to new deposit business, the weighted average interest rate on new NFC term deposits was 1.32 per cent in August 2012, representing a fall of 6 basis points since July 2012. During the same period, the equivalent weighted average euro area interest rate decreased by 6 basis points to 1.15 per cent.

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

[2] New business volumes have been exceptionally low in various instrument categories during the last number of months. Low volumes of this nature can result in heightened volatility within 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] Short-term loans for consumption and other purposes with an agreed maturity of up to one year include both overdrafts and credit card debt.

[5] 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.

[6] 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.

[7] The weighted average interest rate on new loans to NFCs, up to €1m, is often taken as a reasonably accurate proxy for the prevailing rate applicable to SME lending.

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 - Walten Pichler (UK & Luxembourg)

18 October 2012

The Central Bank today published the name of an unauthorised investment firm. Walten Pichler (UK & Luxembourg) has been offering investment services to members of the Irish public and is not authorised as an investment firm in Ireland.

It is a criminal offence for an investment firm to operate in Ireland unless it has an authorisation from the Central Bank of Ireland. Consumers should be aware that, if they deal with an investment firm which is not authorised, they 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, the names of 194 unauthorised firms have been published by the Central Bank.

Notes to editors

The name of the above firm is published under the European Communities (Markets in Financial Instruments) Regulations 2007.

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

New Research on GDP forecasting

18 October 2012

The Central Bank of Ireland today publishes new economic research (Economic Letters Vol. 2012, No. 11) entitled “The value of hard and soft data for short-term forecasting of GDP”. The Letter assesses the value of soft and hard data for obtaining an early estimate of GDP in the euro area (which is published with a delay of six weeks after the close of quarter). Other monthly indicators become available during the quarter which can help update the forecast of GDP for that quarter. Such monthly indicators can be grouped into two categories. Hard data refer to quantitative measures of economic activity such as industrial production, while soft data refer to qualitative measures such as surveys, e.g., Markit’s Purchasing Managers’ Index (PMI). The latter are normally available at the end of the reference month while hard data are usually released with a publication lag. A critical element for policymakers and forecasters in real time is how much weight they should put on data that is timely as compared to data which is less timely but is likely to be more reliable.

This letter assesses the usefulness of these two examples of soft and hard data in helping to forecast euro area GDP as the data becomes available in real time. The key findings are as follows:

- soft data are mostly useful at the beginning of the forecasting cycle, when no hard data for the reference quarter is available.
- once hard data are released less weight should be put on the soft data.

These findings echo findings in the existing literature.

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

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

19 October 2012

Market Operations

Measures to preserve collateral availability

On 10 October 2012 the Governing Council adopted Guideline ECB/2012/23 amending Guideline ECB/2012/18 on additional temporary measures relating to Eurosystem refinancing operations and eligibility of collateral. This Guideline temporarily widens the criteria determining the eligibility of assets to be used as collateral in Eurosystem monetary policy operations, by accepting marketable debt instruments denominated in pounds sterling, yen or US dollars as eligible assets for monetary policy operations. The Guideline was published on 18 October 2012 on the ECB's website.

Operational Issues

Annual review of the list of acceptable non-regulated markets and issuers classified as agencies

On 27 September 2012 the Governing Council took note of the annual review of the list of acceptable non-regulated markets for Eurosystem monetary policy operations and decided that: (i) Hi-MTF and the OTC market for Belgian Strips would be added to the list; and (ii) the MTS Deutschland market for Bubills, which closed in April 2012, would be removed from the list. In addition, the Governing Council approved the classification of the Fondo de Reestructuración Ordenada Bancaria (FROB) as an agency. The debt instruments issued by the FROB will thus fall under liquidity category II of eligible assets for Eurosystem credit operations. The updated list of non-regulated markets accepted by the ECB is available on the ECB's website.

Advice on legislation

ECB Opinion on a Polish consolidated legal framework for payment services

On 21 September 2012 the Governing Council adopted Opinion CON/2012/72 at the request of the Polish Minister for Finance.

ECB Opinion on preparations and legal amendments required for the introduction of the euro in Latvia

On 2 October 2012 the Governing Council adopted Opinion CON/2012/73 at the request of the Latvian Ministry of Finance.

ECB Opinion on new credit register measures in Ireland

On 5 October 2012 the Governing Council adopted Opinion CON/2012/74 at the request of the Irish Department of Finance.

ECB Opinion on European Financial Assistance to Spain

On 9 October 2012 the Governing Council adopted Opinion CON/2012/75 at the request of the Spanish Ministry of Economic Affairs and Competitiveness.

Statistics

Data quality management framework for the Centralised Securities Database

On 26 September 2012 the Governing Council adopted the data quality management framework for the Centralised Securities Database (CSDB), composed of Guideline ECB/2012/21 and Recommendation ECB/2012/22 on the data quality management framework for the Centralised Securities Database. The Framework is aimed at ensuring the completeness, accuracy and consistency of CSDB output data. These legal acts will be published shortly on the ECB's website.

Collection of statistics on holdings of securities

On 17 October 2012 the Governing Council adopted Regulation ECB/2012/24 concerning statistics on holdings of securities. The Regulation lays down reporting requirements for euro area financial investors, custodians and euro area parent institutions of certain banking groups. These requirements refer to security-by-security data on holdings of securities by euro area (financial and non-financial) investors, and on holdings by non-euro area investors of securities issued by euro area residents which are kept in custody in the euro area. The Regulation will be published shortly on the ECB's website.

International and European Cooperation

Eurosystem technical cooperation programme with the central bank of the Former Yugoslav Republic of Macedonia

On 25 September 2012 the Governing Council authorised the signing of a Eurosystem technical cooperation programme with the central bank of the Former Yugoslav Republic of Macedonia (National Bank of the Republic of Macedonia). The ECB and 11 national central banks will participate in this cooperation programme funded by the European Union. The purpose of the nine-month programme, which covers 13 areas of central banking, is to assess the central bank's current institutional and operational framework against EU central banking standards, and, on the basis of the outcome, establish ways to strengthen its institutional capacity. More information will be provided in due course on the ECB's website.

Corporate governance

Chair of the Financial Stability Committee

On 17 October 2012 the Governing Council appointed Ignazio Angeloni, Director General of the ECB's Directorate General Financial Stability, as Chair of the Financial Stability Committee (FSC) with immediate effect. His term as Chair of the FSC will expire on 31 August 2013 to coincide with the expiry of the terms of office of all the other Eurosystem/ESCB committee chairs, who were (re)appointed by the Governing Council on 22 July 2010 for a three-year period.

Eurosystem Procurement Coordination Office

On 5 October 2012 the Governing Council approved an 18-month extension of the current mandate of the Eurosystem Procurement Coordination Office, which was due to expire on 31 December 2012. It will continue to be hosted by the Banque centrale du Luxembourg for this period.

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 Irish Mortgage Corporation Limited, t/a Moneyzone

25 October 2012

The Central Bank of Ireland (the "Central Bank") has entered into a Settlement Agreement with effect from 24 October 2012 with, Irish Mortgage Corporation Limited, trading as Moneyzone (the "Firm"), a regulated financial services provider. The trading arm "Moneyzone" ceased business in October 2008. This settlement agreement relates to breaches of the Consumer Protection Code (2006)(the "Code") and the Minimum Competency Requirements (July 2006)(the "MCR").

Reprimand and fine

The Central Bank reprimanded the Firm and required it to pay a monetary penalty of €65,000.

Breaches of the Code and the MCR

During the period July 2007 and October 2008, the following breaches occurred:

- General Principle 1, Chapter 1 of the Code, in that, the Firm failed to act professionally in the best interests of its customers.
- Rule 24 and 30, Chapter 2 of the Code, in that the Firm failed to gather and record sufficient information of pension planning provision to repay long term mortgages and consequently was unable to ensure that the mortgages recommended were suitable to those consumers.
- Rules 46 and 48, Chapter 2 of the Code in that the Firm failed to comply with certain aspects of its complaints handling procedures and to maintain up-to-date records of complaints made by certain consumers.
- General Principle 6 of the Code in that the Firm failed to make full disclosure to certain customers that incorporating the arrangement fee into their mortgage would incur interest charges from the lender.
- Rule 57, Chapter 2 of the Code in that the Firm did not always have and employ systems and controls to ensure compliance with the Code.
- Rule 31, Chapter 2 of the Code in that the Firm failed to retain, in some instances, a copy of a written statement setting out why the product recommended was suitable or the most suitable for consumers.
- Paragraph 14, Chapter 4 of the Code in that the Firm failed in certain cases to submit to the mortgage lender a signed declaration that the Firm had sighted all original supporting documentation evidencing

certain consumers' identity and ability to repay, prior to the mortgage being drawn down.

During the period January 2007 and October 2008, the following breaches occurred:

- the Firm did not comply with the requirements of the MCR by failing to ensure that the immediate direction and supervision, in respect of "new entrants", was adequate.

The Code was introduced with the explicit intention of protecting consumers in their dealings with regulated entities and seeks to ensure that the same level of protection is offered to consumers regardless of the size and type of entity they are dealing with. The "Suitability" and the "Knowing the Consumer" requirements of the Code are at the heart of consumer protection and are designed to ensure that appropriate recommendations are made to consumers taking account of the particular circumstances of those consumers. In this case these requirements were of even greater importance given the nature of the sub-prime mortgages which were recommended and the circumstances of the affected customers.

The MCR were introduced to ensure that consumers obtain a minimum acceptable level of competence from individuals acting for or on behalf of regulated firms in the provision of advice and associated activities in connection with retail financial products.

Background

The Central Bank conducted a number of on-site inspections of the Firm, reviewed customer documentation and conducted interviews with affected customers, former employees of the Firm and third party lenders who provided the underlying sub-prime mortgage products.

Penalty decision factors

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

- The seriousness with which the Central Bank views:

- breaches of the Consumer Protection Code and in particular the provisions relating to "Suitability" and the "Knowing the Consumer"; and

- compliance with the MCR, in relation the immediate direction and supervision of "new entrants".

- The breaches identified occurred within “Moneyzone”, a trading arm of the Firm, which ceased business in October 2008.
- Investment by the Firm, both before and after inspections, on training, systems and third party review.
- The proactive co-operation 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 Derville Rowland, Head of the Enforcement 1 Division:

“Where those in financially precarious positions are not afforded the protections provided to them under the provisions of the Consumer Protection Code and the Minimum Competency Code, we will act.”

Consumer protection is one of the Central Bank’s high level goals. Compliance with consumer focused legislation/requirements continues to be a key priority for the Central Bank.

Firms should note the introduction of the revised Consumer Protection Code (2012)(the “Code”), which came into effect from 1 January of this year, and the Minimum Competency Code (the “MCC”) which replaced the Minimum Competency Requirements with effect from 1 December 2011.

Compliance with all aspects of the Code is mandatory. However, the Central Bank views compliance with the requirements of “Suitability” and “Knowing your Customer” to be at the core of ensuring that consumers are recommended products which are suitable to their needs. Accordingly, irrespective of their size and impact rating within our model for supervision, firms that fail to meet our standards and breach regulatory requirements in respect of these priority areas, can expect the financial penalties and other enforcement tools available to us to be applied robustly in a manner that reflects not only the seriousness of the issue at hand but also acts as a meaningful deterrent to others, thus promoting an improvement in standards across the industry.

Minimum competency, as outlined in the MCC, is one of the key concepts in assessing whether a person is fit to exercise certain functions in a regulated financial services provider, pursuant to the Central Bank’s Fitness and Probity Regime. These requirements ensure that in their dealings with firms, consumers obtain a minimum acceptable level of competence from individuals acting for or on behalf of those firms in the provision of advice and associated activities. Firms operating with individuals who are not appropriately accredited and therefore not deemed competent to deal with consumers constitute an unacceptable risk to those consumers, greatly increasing the risk of poor advice or the mis-selling of products. Individuals and regulated entities must therefore ensure their compliance with all relevant aspects of the MCC.

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

Central Bank fines intermediaries over failure to hold professional indemnity insurance

25 October 2012

The Central Bank of Ireland has entered into separate settlement agreements with two retail intermediaries for their failure to hold professional indemnity insurance (PII) for a period of time.

PII is a key prudential and consumer protection tool which provides an additional resource from which a firm can pay justified claims by consumers relating to professional negligence. The requirement to hold satisfactory PII is set out in the European Communities (Insurance Mediation) Regulations 2005 (as amended).

The Central Bank has reprimanded the intermediaries involved and has required them to pay a monetary penalty. These cases arose out of a themed inspection conducted by the Consumer Protection Directorate of the Central Bank between March and June 2012. A number of other cases relating to PII arising from the themed inspection are currently under investigation.

Director of Enforcement, Peter Oakes, said: 'The Central Bank expects retail intermediaries to comply with their obligations to have satisfactory PII in place. In February, the Central Bank published its enforcement priorities for 2012 and the pursuit of enforcement action against retail intermediaries was identified as a key enforcement priority. Accordingly, where retail intermediaries do not comply with their obligations, they can expect vigorous investigation and follow up by the Central Bank.'

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

Redesign of Irish Investment Funds Regulation

29 October 2012

The Central Bank of Ireland will tomorrow initiate a consultation on the Irish regulatory regime for non-UCITS funds. The consultation will outline the changes to be introduced in connection with the implementation of the Alternative Investment Fund Managers Directive ('AIFMD') in July 2013.

The AIFMD has presented the Central Bank with an opportunity to redesign the framework for the regulation of non-UCITS funds. The Central Bank is proposing an approach to non-UCITS regulation which aims to turn the Irish regulations into a proportionate investment funds framework which accommodates investors across a wide spectrum of capability and sophistication.

Following detailed preliminary discussions with industry on the implications of the forthcoming AIFMD, the Central Bank will set out a number of significant changes to its current regime for the regulation of funds authorised under Irish law. These proposals will be published in a draft 'AIF Handbook' which will consolidate all its current rules into a single rulebook for non-UCITS funds, and which will also include a number of major changes to its current approach.

Key highlights

Principal among the changes is a proposal to bring an end to the current Promoter approval process. Instead, the Central Bank is proposing to place additional reliance on the Alternative Investment Fund Manager (the 'AIFM') which must be appointed, under the terms of the AIFMD. The consultation also develops current requirements setting out the role of directors.

The proposed AIF Handbook also includes changes to loosen the current investment constraints on retail non-UCITS funds. A range of investment limits which currently apply to retail non-UCITS funds will be changed so as to allow retail investors to use Ireland's new non-UCITS regime to invest in unlisted securities, derivatives and other asset classes to an extent which has not been possible for such investors up to now.

The current 'QIF' regime will be replaced by a similar 'QIAIF' (Qualifying Investor Alterative Investment Fund) regime, but with fewer requirements in areas such as share classes, dealing frequencies, counter-party eligibility, issuance of partly paid units, duration of closed funds and disclosure requirements across a broad range of areas.

The Central Bank is also flagging its intention to look at bringing what are called 'Exempt Unit Trusts' under the regulatory umbrella.

Next steps

In light of the extensive discussions which have taken place in advance of the consultation and the pressing need to have as much certainty as possible about the details of the new regime at an early date, the Central Bank has decided on a short public consultation period of six weeks. Early in 2013 it will issue a response to the consultation, which will set out its stance on the policy issues raised in the consultation. A finalised rulebook will issue thereafter following a technical review.

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

30 October 2012

The Central Bank of Ireland today (30 October 2012) published the name of an unauthorised investment firm. Lehman Reilly (Ireland) is claiming to be or holding themselves out to be an investment firm in the State and has been offering investment services to members of the Irish public and is not authorised as an investment firm in Ireland.

It is a criminal offence for an investment firm to operate in Ireland unless it has an authorisation from the Central Bank of Ireland. Consumers should be aware that, if they deal with an investment firm which is not authorised, they 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, the names of 196 unauthorised firms have been published by the Central Bank.

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

Central Bank of Ireland Publishes Irish Responses to the October 2012 Euro Area Bank Lending Survey

31 October 2012

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

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

Money and Banking Statistics: September 2012

31 October 2012

The Central Bank of Ireland today published the September 2012 Money and Banking Statistics[1].

Loans and other credit

- Loans to Irish households declined at a rate of 3.7 per cent in the year ending September 2012, unchanged from the rate of decline recorded at end-August. Lending for house purchase was 2 per cent lower on an annual basis in September, while lending for consumption and other purposes declined by 8.4 per cent over the same period.
- Lending to households declined by €88 million during the month of September, following a net monthly decrease of €500 million during August. Developments in September were driven by a decline in loans for consumption and other purposes of €99 million, while loans for house purchase increased by €11 million during the month.
- The monthly net flow of loans to households averaged minus €353 million in the three months ending September 2012, which consists of average net flows of minus €99 million in loans for house purchase, minus €131 million in loans for consumption purposes, and minus €123 million in lending for other purposes.
- Lending to Irish resident non-financial corporations (NFCs) declined by 4.2 per cent in the year ending September 2012, following an annual decline of 3.2 per cent in August.
- On a monthly basis, loans to NFCs decreased by €358 million during September, following a decrease of €234 million in August. The monthly net flow of loans to NFCs averaged minus €296 million in the three months ending September 2012, compared with an average of minus €310 million in the three-month period up to end-August 2012.
- The developments in outstanding loans to NFCs during September were driven by a decline of €665 million in medium-terms loans with an original maturity between one and five years. Short-term loans with an original maturity of up to one year, which includes the use of overdraft facilities, increased by €106 million during September, while longer-term NFC loans increased by €202 million.
- On an annual basis, NFC loans with an original maturity over five years increased by 0.8 per cent in September 2012. Short-term loans to NFCs fell by 0.3 per cent in the year ending September 2012, while medium-term loans declined by 13.5 per cent over the same period.
- Credit institutions’ holdings of debt and equity securities issued by the Irish private sector declined by €471 million during the month of September 2012, with an annual rate of change of minus 7.7 per cent.

This follows a decline of 9.8 per cent for the year ending August 2012. The fall in holdings of private-sector securities during September reflects developments in holdings of debt securities issued by Other Financial Intermediaries (OFIs).

Deposits and other funding

- Irish resident private-sector deposits increased at an annual rate of 1.8 per cent in September 2012, following growth of 0.7 per cent in the year ending August 2012. Deposits from households were 0.7 per cent higher on an annual basis at end-September, while deposits from Insurance Corporations and Pension Funds (ICPFs) and OFIs increased by 6.4 per cent. Deposits from NFCs fell by 1.2 per cent over the same period.
- There was a month-on-month decline of €943 million in Irish resident private-sector deposits during September 2012, reflecting decreases across three of the four depositor sectors. Deposits from ICPFs/OFIs fell by €709 million during September, while NFC deposits declined by €629 million. Deposits from Irish resident households increased by €394 million during the month.
- Private-sector overnight deposits declined by €710 million during September 2012, largely reflecting developments in the OFI sector where overnight deposits fell by €714 million. Overnight deposits from both NFCs and ICPFs also declined during September, by €286 million and €123 million, respectively. Overnight deposits from households increased by €413 million during the month.
- Deposits with agreed maturity up to two years fell by €123 million in September 2012, mainly reflecting a decrease in the NFC sector. Short-term deposits from NFCs fell by €308 million during the month. There were moderate increases across all other depositor sectors of €97 million, €56 million and €32 million for households, OFIs and ICPFs, respectively.
- Private-sector deposits from non-residents fell by €441 million during September 2012. Other euro area private-sector deposits increased by €600 million, while private-sector deposits from non-euro area residents fell by just over €1 billion. Total non-resident private-sector deposits were 5.3 per cent lower on an annual basis at end-September 2012, with deposits from other euro area private-sector entities being 10.3 per cent lower, and those from the non-euro area private sector 1.9 per cent lower.
- Credit institutions' borrowings from the Central Bank as part of Eurosystem monetary policy operations declined by €822 million in September 2012. The outstanding stock of borrowings from the Eurosystem by Irish resident credit institutions amounted to €83 billion at end-September. Domestic market credit institutions[2] accounted for €70.4 billion of this total outstanding stock.
- A number of credit institutions have issued debt under the Eligible Liabilities Guarantee scheme and have retained the bonds concerned

for their own use. For methodological reasons these are not included in the Money and Banking Statistics tables. At end-September 2012, the outstanding amount of these bonds was €5.7 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.

Generation €uro Students’ Award Open for Entries

1 November 2012

The Central Bank of Ireland today (1 November 2012) called on Transition Year (TY) students across Ireland to take part in the second year of the Generation €uro Students’ Award, a competition aimed at promoting an awareness of economics and monetary policy decision-making.

The Generation €uro Students’ Award challenges TY students to learn about monetary policy instruments, in particular interest rate decisions, and to simulate the role of the Governing Council of the European Central Bank (ECB) to determine the most appropriate interest rate for the euro area.

The competition consists of three rounds including an online quiz, a group assignment and a presentation by the finalists to a panel at the Central Bank of Ireland. The winning team will represent Ireland at a European Award Event which will take place at the ECB in Frankfurt in April 2013.

Governor of the Central Bank, Patrick Honohan said: ‘In its inaugural year, over 230 teams entered the competition and I would like to thank and congratulate all those who took up the challenge and represented their schools with exceptional diligence and skill. The Generation €uro Students’ Award is an excellent opportunity for students to learn about the ECB, the Eurosystem and the role each of the national central banks play to contribute to monetary policy decisions and financial stability for the euro area. We hope the competition will continue to encourage awareness in schools of the important functions performed by the Central Bank, the ECB and the Eurosystem as a whole, and I encourage all schools to take part.’

Students can enter the competition in teams of four or five and must nominate a teacher to act as mentor. To register and complete the first round of the competition, students should visit the competition website, before the closing date of 30 November 2012.

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

Central Bank Completes Transfer of Transparency Directive Supervision from Irish Stock Exchange

5 November 2012

In line with EU requirements, the Central Bank of Ireland (Central Bank) and the Irish Stock Exchange (ISE) today announced that they have successfully completed a joint project to unwind a delegation arrangement between the Central Bank and the ISE relating to the performance of certain tasks under the Transparency (Directive 2004/109/EC) Regulations 2007 (the Transparency Regulations). These delegated tasks have been carried out by the ISE on behalf of the Central Bank since 2007.

Under European law any delegation of tasks provided for in the Transparency Directive and the Transparency Regulations must end by 19 January 2013. This is the final of three delegation arrangements to be unwound by the Central Bank and the ISE in accordance with European law since December 2011.

Gareth Murphy, Director of Markets Supervision, said: 'The Central Bank is very pleased to announce the completion of another successful transition of functions from the ISE. The commitment of the Central Bank and ISE teams on this project has ensured a smooth transition for securities market participants and also ensured that Ireland has completed the transfer of these delegated tasks ahead of schedule.'

Deirdre Somers, Chief Executive of the ISE said: 'The ISE is pleased to have been able to provide expertise and support to the Central Bank in relation to the Prospectus, Market Abuse and Transparency Regulations for the past number of years. We are delighted following the unwinding of the delegation arrangement that these important regulatory functions now fully reside with the Central Bank. We look forward to maintaining our strong relationship with the Central Bank and continuing to deliver our core exchange listing, trading and information services to the global securities industry.'

Cormac Kissane of Arthur Cox, and Chairman of the Stakeholder Consultative Group in relation to the Prospectus Directive, said: 'This project completes the transfer of regulatory functions relating to the Prospectus, Market Abuse and Transparency Directives from the ISE to the Central Bank. These transfers have been handled seamlessly from a market perspective and re-enforce Ireland's position as a leading international financial centre for securities listings.'

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

8 November 2012

The Central Bank of Ireland today published the names of two unauthorised investment firms. Kaiser Young Associates (Germany) and Financial Solution Blackstone (Germany) have been offering investment services to members of the Irish public and are not authorised as investment firms in Ireland.

It is a criminal offence for an investment firm to operate in Ireland unless it has an authorisation from the Central Bank. Consumers should be aware that, if they deal with an investment firm which is not authorised, they are not eligible for compensation from the Investor Compensation Scheme.

Any person wishing to contact the Central Bank 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, the names of 198 unauthorised firms have been published by the Central Bank.

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

Retail Interest Rate Statistics: September 2012

9 November 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. Notwithstanding the fact that a distinction is not made between Irish residents and residents of other euro area member states, Irish residents accounted for approximately 99 per cent of outstanding household loan & deposit activity and 88 per cent of outstanding NFC loan & 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 retail interest rate statistics purposes, new business is defined as any new agreement between the customer and the credit institution. This agreement covers all financial contracts that specify, for the first time, the interest rate of the deposit or loan, including any re-negotiation of existing deposits and loans[2].

Households

Loans to Households

- Interest rates on outstanding loans to households for house purchase were slightly higher as of end-September 2012, increasing by six basis points compared with the previous month. The weighted average interest rate on outstanding mortgage loans with an original maturity of over five years (which accounted for 99 per cent of outstanding mortgage loans) was 2.9 per cent at end-September 2012, representing a 16 basis point decline since the beginning of the year.
- The corresponding interest rate reported by all credit institutions resident in the euro area declined to 3.66 per cent in September 2012. This was broadly unchanged from the previous month, albeit, representing a decline of 24 basis points since the beginning of the year. Average interest rates on outstanding mortgages in Ireland have reflected movements in the ECB's main refinancing rate (MRO) to a greater extent than the euro area over the last number of years. This relationship is principally derived from the higher proportion of 'tracker' and variable rate mortgage products in the domestic market.
- Interest rates on outstanding loans to households for consumption and other purposes declined again in end-September 2012 to stand at 5.68 per cent, which represents a fall of over 60 basis points since the beginning of the year. The interest rate on short-term loans for

consumption and other purposes with an agreed maturity up to one year[3] increased by 26 basis points in September 2012, to 9.26 per cent. The corresponding short-term rate reported by all credit institutions in the euro area was significantly lower at 7.81 per cent. In terms of longer-term rates, the weighted average interest rate reported by Irish resident credit institutions on loans with an original maturity over five years was 3.94 per cent at end-September, falling 47 basis points since the beginning of the year. In the euro area, the equivalent long-term interest rate reported by all credit institutions stood at 5.03 per cent at end-September 2012.

- In relation to new business, the weighted average interest rate on loans for house purchase with either a floating rate or initial rate fixation of up to one year was 3.12 per cent at end-September 2012, rising by 21 basis points compared with the previous month. Loans in this instrument category accounted for 89 per cent of new mortgage business at end-September 2012. In contrast, loans in the same instrument category accounted for just 29 per cent of new mortgage business in the euro area. The corresponding interest rate on loans for house purchase with either a floating rate or an initial fixation period of up to one year in the euro area was 2.93 per cent.
- The weighted average interest rate on new loans to households for non-housing purposes increased slightly in September 2012, rising from 6.28 per cent in August to 6.31 per cent. New business volumes in this instrument category have been quite low for the past year or so, averaging approximately €225 million per month. As a result, the corresponding interest rate series has exhibited a heightened level of volatility.

Deposits from Households

- Interest rates on total outstanding household term deposits fell in September 2012, declining from 3.41 per cent in August to 3.35 per cent. The weighted average interest rate on household deposits with an agreed maturity of up to two years decreased by 7 basis points, standing at 3.47 per cent at end-September 2012. In terms of longer-term interest rates, deposits with an agreed maturity over two years have remained broadly unchanged over the last number of months, standing at 2.52 per cent at end-September 2012.
- Interest rates applicable to household term deposits increased significantly during both 2011 and the first half of 2012. Towards the end of 2010, the weighted average interest rate being reported by Irish resident credit institutions on term deposits was in the region of 2.8 per cent. Since end-December 2010, Irish resident credit institutions have reported an increase of 57 basis points in total term deposits to end-September 2012, with euro area credit institutions reporting an equivalent increase of 27 basis points over the same period. Despite this trend, more recently term deposit interest rates have begun to fall.

Total term deposit rates reported by Irish resident credit institutions declined for the fifth consecutive month to stand at 3.35 per cent at end-September 2012.

- In relation to shorter-term deposits, which are redeemable at notice, interest rates have continued to decline over the last number of months[4]. At end-September 2012, the weighted average interest rate on deposits redeemable at notice was 1.53 per cent, representing a decline of 80 basis points since the beginning of the year. Deposit volumes suggest that households are moving out of short-term products, which are redeemable at notice, and into longer-term deposits with agreed maturity, reflecting the higher interest rates currently being offered for term deposits by credit institutions.
- In terms of new deposit business, interest rates on household term deposits declined to 1.55 per cent at end-September 2012, compared with 1.63 per cent in August 2012.

Non-Financial Corporations (NFCs)

Loans to NFCs

- Interest rates on outstanding loans to NFCs issued by Irish resident credit institutions continued to decline in September 2012. The weighted average interest rate on all outstanding NFC loans was 3.12 per cent at end-September, compared with 3.17 per cent at end-August. The equivalent euro area weighted average interest rate was 3.46 per cent at end-September 2012.
- Loans with an original maturity of over five years accounted for approximately 48 per cent of all outstanding loans issued to NFCs by Irish resident credit institutions as of end-September 2012. The corresponding weighted average interest rate on these longer-term loans was 3.02 per cent. Over the same period, interest rates applicable to both short- and medium-term loans[5] were 3.56 per cent and 2.82 per cent respectively.
- The weighted average interest rate on new loans to NFCs up to €1 million[6] stood at 4.12 per cent at end-September 2012, decreasing by 53 basis points compared with August 2012. The corresponding interest rate reported by all euro area credit institutions in September was 3.87 per cent. In terms of new business NFC loans above €1 million, Irish resident credit institutions reported a fall of 13 basis points in September 2012, to an average rate of 2.63 per cent. The equivalent euro zone interest rate increased slightly by 4 basis points over the same period. Pronounced month-on-month volatility in this interest rate series is principally derived from particularly low volumes in the respective instrument categories. Low new business volumes can lead to heightened volatility as relatively few contracts can cause sizable movements within the overall series.

Deposits from NFCs

- The weighted average interest rate on outstanding NFC term deposits declined by 19 basis points in September 2012, to stand at 2.6 per cent. Deposits with agreed maturity up to two years, which accounted for 96 per cent of all NFC term deposits, fell by 20 basis points to 2.64 per cent at end-September 2012. The equivalent rate at euro area level was 1.82 per cent at end-September 2012.
- In relation to new deposit business, the weighted average interest rate on new NFC term deposits was 1.03 per cent in September 2012, representing a fall of 29 basis points since August 2012. During the same period, the equivalent weighted average euro area interest rate increased by 3 basis points to 1.18 per cent.

[1] New business volumes have been exceptionally low in various instrument categories during the last number of months. Low volumes of this nature can result in heightened volatility within 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] Short-term loans for consumption and other purposes with an agreed maturity of up to one year include both overdrafts and credit card debt.

[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 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.

[6] The weighted average interest rate on new loans to NFCs, up to €1m, is often taken as a reasonably accurate proxy for the prevailing rate applicable to SME lending.

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

Quarterly Financial Accounts for Ireland: Q2 2012

13 November 2012

Quarterly Financial Accounts, released on 13 November 2012, 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 based on four-quarter moving averages, so as to smooth seasonality within the data.

Results summary, Q2 2012

- Private sector debt continued to increase during Q2 2012, reaching 316 per cent of GDP, an increase of 5 percentage points on the previous quarter.
- Household net worth continued to decline during Q2 2012, falling to €446.6bn or €97,392 per capita. This represented a decline of €5.5bn or 1.2 per cent compared with the previous quarter.
- Household indebtedness declined further during Q2 2012, falling to €178.5bn or €38,938 per capita.
- Total Government liabilities continued to increase during Q2 2012, reaching €192.7 billion, their highest level to date.
- Non-financial corporate debt increased further during Q2 2012 to reach €331bn, or 205 per cent of GDP, its highest level to date.

1. Net Lending/Borrowing of All Sectors

The net lending/borrowing position of all sectors is depicted in Chart 1.1. While a positive value indicates that a sector is a net lender, a negative value indicates that a sector is a net borrower. Overall, the sum of net lending/borrowing of all sectors will sum to zero as, for every lender, there must be a corresponding borrower.

The domestic sector increased net borrowing from non-residents during Q2 2012. This largely reflects increased net borrowing by Government and reduced net lending by non-financial corporates. The net lending/borrowing trends of households, Government and non-financial corporates are described in detail in sections 3, 4 and 5 respectively.

2. Private Sector Debt

Private sector non-consolidated debt[2] stood at 316 per cent of GDP at Q2 2012, representing an increase of 5 percentage points compared with the previous quarter. Chart 2.1 reveals that the increase in private sector indebtedness over the quarter reflected a further rise in non-financial corporate (NFC) debt, which was mitigated to some extent by the continued decline in household debt. Household and NFC debt are analysed further in Sections 3 and 5 respectively.

Private sector indebtedness form part of the EU Commission's scoreboard of macroeconomic imbalances. The Commission sets an indicative threshold of 160 per cent of GDP for private sector debt. As outlined further in Section 5, the elevated levels of NFC debt are partly due to the multi-national corporates activities in Ireland.

3. Household Sector

Household indebtedness[3] declined further during Q2 2012, falling to €178.5bn or €38,938 per capita. This represented the lowest level of household debt since Q1 2007, as depicted in Chart 3.1. Household debt has declined, in total, by €25.2bn or 12.4 per cent since its peak of €203.8bn at Q4 2008.

The chart also reveals that household debt to disposable income, an indicator of debt sustainability, also declined further during Q2 2012, to stand at 209.3 per cent. The decrease reflected the continued decline in household debt as well as, to a much lesser extent, a slight increase in household disposable income. The latter has been on an upward trend since Q1 2012, when measured as a 4-sum moving average. The decrease in debt to disposable income marked the third consecutive decline in this ratio from its peak of 218.4 at Q3 2011.

Household net worth[4] continued to decline during Q2 2012, falling to €446.4bn or €97,392 per capita. This represented a decline of €5.5bn or 1.2 per cent compared with the previous quarter. Overall, net worth has declined by 37.7 per cent since its peak at Q2 2007. The further decline in net worth over the quarter largely reflected the continued fall in the value of housing assets, as well as, to a much lesser extent a further decrease in the value of financial assets. The decline in net worth was mitigated, in part, by the further reduction in household liabilities over the quarter.

Household net lending increased further during Q2 2012, as depicted in Chart 3.3. This trend reflects increased household investment in financial assets over the quarter, as well as more substantially, a reduction in household liabilities. Households have been net lenders since Q4 2008, reducing the high debt levels incurred in the years preceding the financial crisis.

Household financial asset transactions are depicted in Chart 3.4. The chart reveals that investment by households in financial assets continued to increase further during Q2 2012. This marked the second consecutive quarter in which investment in financial assets increased. During Q2, investment in 'insurance technical reserves'[5] and 'shares and other equity' remained largely unchanged, when measured as a four-quarter moving average. Households also resumed investment in 'currency and deposits' over the quarter, following five consecutive quarters of disinvestment in this asset type.

Combining household saving and gross capital formation data from the CSO's non-financial accounts (i.e. the real side of the economy) with households' transactions data from Quarterly Financial Accounts allows for a decomposition of how households use their savings[6]. Chart 3.5 reveals that households increased savings for the third consecutive quarter during Q2 2012 to reach €2.7bn, when measured as a four-quarter moving average. This represented an increase of €170m compared with the previous quarter. The increase in saving was largely as a result of continued debt reduction during the quarter, as well as a further recovery in investment in financial assets. Investment in gross capital formation by households continued to remain relatively low however, over the quarter.

4. Government Sector

Government liabilities increased further during Q2 2012 reaching €192.7bn, their highest level to date. This represented an increase of €6bn, or 3.2 per cent, on the previous quarter, as depicted in Chart 4.1. The chart also shows that the Quarterly Government Debt (QGD), which is the standard quarterly measure of debt consistent with Excessive Deficit Procedure (EDP) methodology[7], increased by €5.4bn over the quarter.The increase in Government liabilities over the period largely reflected the receipt of €5.2bn in further funding as part of the EU/IMF programme, as well as additional securities issued over the quarter. Securities transactions (i.e. issues minus redemptions) amounted to €3.4bn over the quarter. Q2 2012 marked the first quarter the State issued Government securities since Q3 2010.

Net financial wealth, the difference between financial assets and liabilities, declined further over the quarter reaching minus €124bn, as depicted in Chart 4.2. The decline reflected the continued increase in liabilities, as well as a slight decline in financial assets over the quarter.

The Government surplus/deficit, as a four-quarter moving average, is depicted in Chart 4.3. The chart reveals that the Government deficit increased slightly over the quarter from €4.7bn to €5.1bn. When capital transfers are excluded the Government deficit measured as a four-quarter moving average stood at €3.4bn, an increase from €3bn in Q1. Since 2009, the State has injected €63bn into the banking sector, of which €42.4bn has been treated as a deficit-increasing capital transfer. The remainder were treated as financial transactions (or investments) in Government accounts and therefore do not impact the deficit.

5. Non-Financial Corporation Sector

Non-financial corporate (NFC) debt[8] increased further during Q2 2012 to reach €331bn, or 205 per cent of GDP, its highest level to date. This represented an increase of €11bn, or 3 per cent, compared with the previous quarter. NFC debt resumed its upward trend, as depicted in Chart 5.1. The continued rise in NFC debt in recent quarters largely reflects the activities of multi-national corporations operating in Ireland.

Chart 5.2 compares NFC debt as a percentage of GDP for Ireland and 23 other European countries. The chart reveals that Ireland had the second highest indebtedness ratio, while Luxembourg had the highest at 280 per cent of GDP. Average NFC indebtedness for the 17 countries in the euro area was 104 per cent of GDP[9].

Ireland's NFC debt sustainability can be assessed by comparing indebtedness to overall balance sheet size. Chart 5.3 shows 2 measures of debt sustainability: NFC debt as a percentage of financial assets and NFC debt as a percentage of total liabilities. The chart reveals that the two measures of NFC debt sustainability declined by 1 percentage point over the quarter. NFC debt as a percentage of financial assets was 52 per cent in Q2 2012, while NFC debt as a percentage of total liabilities was 40 per cent. The latter debt sustainability ratio was on average 40 per cent since Q1 2007. Overall, despite increasing levels of NFC debt, NFCs have become less indebted relative to the size of their balance sheets over the last four quarters.

NFCs were net lenders during Q2 2012, as they have been since Q1 2008. NFC net lending/ borrowing[10] is depicted in Chart 5.4. The chart reveals that NFC net lending amounted to €0.8bn over the quarter, a lower level compared with recent years. Chart 5.4 also shows that NFCs have increased their acquisition of financial assets and incurrence of liabilities in greater quantities than the previous six quarters.

[1] The publication includes results for Q2 2012 for the first time and incorporates revisions to time series. It should also be noted that the QFA time series is revised at regular intervals to include the latest available raw data vintages.

[2] Debt is comprised of debt securities and loans.

[3]Household debt is defined as total loans.

[4]Household net worth is calculated as the sum of household 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 CSO's 'Residential Property Price Index' (RPPI).

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

[6] The derivation of savings from a non-financial accounts perspective and a financial accounts perspective is elaborated upon further in Cussen, O' Leary, Smith (2012), 'The Impact of the Financial Crisis on Households: a Cross Country Comparison', Central Bank of Ireland, Quarterly Bulletin No. 2.

[7] Government liabilities in QFA differ from the EDP measure of debt as they are calculated on a non-consolidated basis, and employ different coverage and valuation criteria.

[8] NFC debt is defined as the sum of its 'securities other than shares' and 'loans' liabilities. Debt is non-consolidated, meaning that inter-company debt is included.

[9] Irish NFC debt will be analysed in detail in a forthcoming article: Cussen M., and O' Leary B. 'Why are Irish Non-Financial Corporates so Indebted?', Central Bank of Ireland Quarterly Bulletin, Q1 2013

[10] The NFC net lending/net borrowing position is measured as a four-quarter moving average, to adjust for seasonality.

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

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

13 November 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-September 2012. The dataset contains information on the volume of bonds and notes issued during September, as well as the market valuation of outstanding equity shares by sector of issuer at end-September. The sectors of the issuers are: banks; Government; other financial intermediaries; non-financial corporates; and insurance companies and pension funds.

Overview:

- At end-September 2012, the outstanding amount of debt securities issued by Irish financial and non-financial firms, and the Government was €1.01 trillion, a decrease of approximately 1 per cent from September 2011. This contrasts with a year-on-year increase of 3 per cent across the euro area.
- Market-based debt financing for the banking sector continued to contract during September with net redemptions of €3.7 billion. The outstanding amount of debt securities for this sector saw a year-on-year fall of 29 per cent.
- At end-September 2012, Irish resident investors accounted for 27 per cent of long-term Irish Government bonds compared with 21 per cent in September 2011.
- Equity shares had an outstanding value of €199 billion at end-September. This includes quoted shares issued by Irish residents (€198.6 billion) which saw a year-on-year net increase of 34 per cent (driven primarily by increases in the non-financial corporate sector).
- In contrast, for euro area residents the year-on-year increase in the outstanding amount of quoted shares was 14 per cent.

Government Debt Issuance:

- Long-term Government debt increased by approximately €1.2 billion during September, due primarily to issuance of amortising bonds.
- Long-term Government bonds were outstanding at €88.6 billion at end-September[1] representing a year-on-year decrease of approximately 1 per cent when compared with September 2011 (€89.7 billion).
- The NTMA issued €500 million of Treasury Bills during September[2], 96 per cent of which were purchased by non-resident investors.

- €16.9 billion (or 19 per cent) of euro-denominated long-term debt will fall due over the next 3 years (Table 1); 59 per cent of which is payable to non-resident investors.

Holdings of Government Bonds:

- At end-September 2012, Irish resident investors accounted for 27 per cent of long-term Irish Government bonds compared with 21 per cent in September 2011.
- Approximately 41 per cent (or €26.6 billion; see Figure 2) of those long-term bonds held by non-resident investors will mature between 2020 and 2025.
- The Irish banking sector accounted for a significant portion of this increase; with 24 per cent of all holdings at end-September 2012 (or €21.3 billion), compared with 17 per cent at end-September 2011.

Banking Sector:

- Market-based debt financing for the banking sector continued to contract during September (down €3.7 billion). This is the seventeenth consecutive month where this sector has reduced its quantum of outstanding debt securities.
- The outstanding amount of debt securities saw a year-on-year fall of 29 per cent with short-term debt contracting by 57 per cent. These reductions are in line with recent global trends as financial institutions worldwide reduced their debt in international markets by $137 billion in Q2 2012[3].
- Over the past 12 months, the total outstanding amount of debt securities for the euro area increased by 3 per cent.
- The outstanding amount of the banking sector's equity securities increased by €271 million (or 2 per cent) in September 2012. This represents a year-on-year increase of 4 per cent.

Non-Financial Corporates:

- The outstanding amount of debt securities issued by non-financial corporates (NFC) was €2.6 billion at end-September 2012, or a 13 per cent decrease from September 2011. The year-on-year increase in the outstanding debt securities for NFCs resident in the euro area was 12 per cent.
- The outstanding amount of equity securities in the NFC sector increased by €4.4 billion in September representing an increase of 39 per cent

when compared to September 2011. The year-on-year increase in quoted equity securities for NFCs in the euro area was 14 per cent.

[1] Refers to debt securities in all currencies (but principally includes euro-denominated debt)

[2] The settlement date for these bonds was 20th September

[3] International debt securities issuance in the second quarter of 2012 (Bank for International Settlements, September 2012)

[4] 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.

Central Bank Statement on Purchase of North Wall Quay Site

14 November 2012

The Central Bank of Ireland has signed contracts with the statutory receiver of North Quay Investments Limited (in receivership) and NAMA to purchase a site on North Wall Quay, Dublin 1.

As has been previously announced (in May 2012), it is the Central Bank's intention to complete the construction of the existing building on the site, with modifications, and to relocate to it as its headquarters. The agreed purchase price, as previously announced, is €7 million.

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 Ulster Bank Ireland Limited

19 November 2012

The Central Bank of Ireland (the "Central Bank") has entered into a Settlement Agreement with effect from 14 November 2012 with Ulster Bank Ireland Limited (the "Firm"), a regulated financial services provider, in relation to prescribed contraventions of the Requirements for the Management of Liquidity Risk (June 2009) (the "Requirements") and the European Communities (Capital Adequacy of Credit Institutions) Regulations 2006 (S.I. 661 of 2006 (as amended)) (the "Regulations").

Reprimand and fine

The Central Bank reprimanded the Firm and required it to pay a monetary penalty of €1,960,000.

Prescribed contraventions

Five contraventions in total were identified.

Liquidity contraventions

Three liquidity contraventions were identified:

1. During the period 26 January 2011 to 13 September 2011 (the "Relevant Period"), the Firm failed to comply with Section 4.1 of the Requirements ("Description of New Requirements") by failing to apply the correct haircuts (discounts on cash-flows), or failing to apply any haircuts at all, to four categories of retail and corporate deposits.

2. The Firm failed to comply with Section 1.4 of the Requirements ("Application of Regulatory Document") by failing to notify the Central Bank immediately of the contraventions of the Requirements referred to in 1 above and 3 below.

3. During the Relevant Period, the Firm failed to comply with Section 3.2.2 of the Requirements ("Senior Management Role") by failing to establish and maintain effective internal controls for the management of its liquidity risk to ensure that;

- the correct haircuts were being applied to retail and corporate deposits;

- the Firm's behavioural assumptions included all material cash flows; and
- liquidity reports furnished to the Central Bank reflected the Firm's true liquidity position.

Capital requirements contraventions

Two capital requirements contraventions were identified:

4. On 31 March 2011 the Firm failed to comply with Regulation 70(2)(a) of the Regulations by failing to hold own funds in excess of the minimum level set out in Regulation 19, as required of the Firm by the Central Bank.

5. The Firm failed to comply with Regulation 65(1) of the Regulations by failing to have sound or effective strategies and processes in place to enable it to:

- assess the amount of internal capital it considers adequate to cover the nature and level of the risks to which it is or might be exposed.
- maintain the amount of internal capital it considered adequate to cover the nature and level of the risks to which it was exposed as evidenced by the breach set out in point 4 above.

Background to the liquidity contraventions

On 4 October 2011, the Firm advised the Central Bank in writing (following a verbal notification on 21 September 2011) that it had identified an issue whereby haircuts had not been applied correctly to certain retail and corporate deposit products. The Firm also reported that it had excluded certain cash inflows from the calculation of its liquidity position. On discovery of the issue, the Firm took immediate corrective action to rectify the contraventions.

The definition of liquidity is set out in the Requirements as follows. "Liquidity is the ability of a credit institution to meet its on and off-balance sheet obligations in a timely manner as they fall due, without incurring excessive cost, while continuing to fund its assets and growth therein". Liquidity management is, therefore, essential to the proper functioning of credit institutions. The Requirements set out both qualitative and quantitative obligations. The contraventions identified in this case relate to "haircuts" (discounts on cash-flows i.e. the application of a specified discount to the value of the cash-flow, as set out in the Requirements) on certain retail and corporate deposits being applied incorrectly or not being applied at all and the failure of the Firm to adequately manage material cash-flows.

Background to the capital requirements contraventions

In 2009, the Central Bank imposed an obligation on the Firm to hold €339 million in additional Pillar II capital as a buffer against the risks (over and above credit, market and operational risk) to which the Firm was exposed. In the Firm's regulatory return submitted to the Central Bank on 31 March 2011, the Firm reported a capital shortfall in relation to its Pillar II requirement of €313 million. The Firm immediately received a capital injection from its parent company Royal Bank of Scotland Group plc ("RBS") to rectify the issue. The Firm made significant amendments to its Capital Management Programme following a review of the issues which highlighted that the primary cause of the failures was due to inaccurate capital forecasting and other capital management control issues.

The Regulations seek to ensure that credit institutions have sufficient capital to support all material risks they are exposed to. Credit institutions are obliged to hold capital for credit, market and operational risk (Pillar I Requirements). The Regulations set out a framework for the assessment of additional risks relevant to a particular credit institution over and above credit, market and operational risks (Pillar II Requirements). The contraventions identified in this case relate to the Firm's Pillar II Capital Requirements.

Penalty decision factors

The penalties imposed in this case reflect the importance the Central Bank places on compliance with prudential requirements for credit institutions, including the Requirements and Regulations.

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

- the seriousness with which the Central Bank views any contraventions of the Requirements and Regulations;
- the seriousness with which the Central Bank views contraventions of liquidity reporting as it impacts upon the ability of the Central Bank to ascertain with certainty the liquidity position of the Firm;
- the seriousness with which the Central Bank views the failures to have in place an effective Capital Management Process which prevented the Firm from accurately predicting the level of capital required;
- compliance with "Prudential Requirements", "the Timeliness and Accuracy of Information submitted to the Central Bank" and "Systems and Controls" have been identified by the Central Bank as priority enforcement areas for 2012;
- the extended period of time over which the liquidity contraventions occurred unnoticed by the Firm;
- the Firm had access at all times to sufficient liquidity and capital during the period as part of RBS;
- the contraventions do not relate to core Pillar I minimum capital requirements or liquidity ratios;
- the Firm took appropriate action to ensure accountability in relation to the matters outlined above, resulting in individual performance reviews and compensation packages being impacted;

- the Firm identified the issues and brought them to the attention of the Central Bank;
- the Firm took prompt corrective action to address and rectify the issues which led to the contraventions;
- the cooperation of the Firm during the Central Bank's investigation of the issues 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 first settlement by the Central Bank with a firm for contraventions of capital requirements and the third for contraventions of liquidity requirements. This enforcement action and the penalties imposed reflect the importance the Central Bank places on compliance with all aspects of key prudential requirements regardless of whether or not contraventions of core Pillar I minimum capital requirements or liquidity ratios arise.

"Regulated firms must fully comply with their liquidity and capital requirements including, establishing and maintaining effective internal controls for the management of liquidity risk and having in place sound and effective strategies and processes to address internal control requirements. Failing to meet these basic requirements represents an unacceptable risk to a regulated financial service provider's business and to the Central Bank achieving its statutory objectives.

"We remind firms that compliance with "Prudential Requirements", the "Timeliness and Accuracy of Information submitted to the Central Bank" and "Systems and Controls" are priority enforcement areas for 2012. Where contraventions of these important regulatory requirements occur, regulated financial services providers should expect the Central Bank to act".

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

Central Bank Publishes Strategic Plan 2013-2015

20 November 2012

The Central Bank of Ireland today (20 November 2012) published its new Strategic Plan. The Plan sets out the key strategic priorities for the three year period 2013 to 2015. These objectives relate to the Bank's mission of safeguarding stability and protecting consumers. The Central Bank (Reform) Act, 2010, and other legislation, define the Central Bank's statutory objectives which correspond to the eight high level goals described in the Plan.

- The Plan is set in the context of continuing financial stability concerns and challenges to government finances, difficult economic conditions for consumers, businesses and regulated firms and an increasingly international policy-making environment. The key elements are:
- Restoring financial stability and supporting economic recovery through successful exit from the EU-IMF Programme of Financial Support and restoring a fully functioning banking system;
- Reforming the regulatory and supervisory framework to ensure risks to stability and consumer protection are identified and effectively mitigated;
- Protecting consumers by challenging firms, improving firms' compliance, promoting a better culture in the financial sector and helping consumers have more confidence in financial services, and
- Influencing the increasingly international policy-making framework for monetary policy, financial stability and regulatory standard-setting.

The Central Bank will ensure that its important operational responsibilities continue to be discharged. These include currency operations and maintenance and oversight of payments systems infrastructure, with a leading role in the implementation of the National Payments Plan.

Underpinning all these activities, a key focus will be on improved operational efficiency and cost effectiveness, involving a range of measures including budget control and process automation. Key to the successful implementation of the Plan will be the continuing development of the Central Bank's staff. After a period of significant growth in resources, a gradual reduction in resources in 2015 is envisaged due to efficiencies and completion of key initiatives.

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

20 November 2012

The Central Bank of Ireland ("Central Bank") today published the names of two unauthorised investment firms on its website: Goff Private Equity Limited (Ireland) and Talisman Finance (USA).

Goff Private Equity Limited is not authorised as an investment firm in the State and is claiming or holding itself out to be an investment firm in the State.

Talisman Finance is not authorised as an investment firm in the State and has been offering investment services to members of the Irish public.

It is a criminal offence for an investment firm to operate in Ireland unless it has an authorisation from the Central Bank. Consumers should be aware that, if they deal with an investment firm which is not authorised, they are not eligible for compensation from the Investor Compensation Scheme.

Any person wishing to contact the Central Bank 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, the names of 200 unauthorised firms have been published by the Central Bank.

Notes to editors

The name of the above firms are published under the European Communities (Markets in Financial Instruments) Regulations 2007.

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

Central Bank Publishes Consultation Paper on Industry Funding Levy

20 November 2012

The Central Bank of Ireland today published a consultation paper on proposed changes to the basis for calculating the industry funding levy payable by regulated entities. The most significant change is to more closely align the funding levies paid by regulated entities with the costs of their supervision. This is logical because the impact categorisation of regulated entities, as determined under PRISM[1], determines the number of supervisors assigned to that firm.

Under the proposed new approach there will be a single levy rate per impact category within each industry category.

In the consultation paper the Central Bank also proposes introducing application fees for firms seeking authorisation to provide financial services. These application fees will reflect the average cost involved in processing applications.

Further recommendations are proposed regarding

- the treatment of monetary penalties, pro-rata levies and unpaid levies;
- funding the costs of regulating Collective Investment Schemes (CIS) and Self Managed Investment Companies (SMICs) with umbrella structures; and
- the existing level of public subsidy associated with the regulation of the credit union sector.

The European Central Bank is currently considering the funding of the cost of regulation of credit institutions authorised within the Eurozone in the context of the proposed Single Supervisory Mechanism. This may have implications for the Central Bank's levy calculation process.

The proposed changes will be introduced in 2013 and will make the process more equitable and transparent.

Interested parties are asked to comment on the public consultation by 22 February 2013.

[1] PRISM (Probability Risk and Impact SysteM) is the framework that the Central Bank has developed to apply risk based supervision. Under PRISM, financial service providers are categorised based on impact, a measure which indicates the degree of damage a firm could cause to the financial system, economy or consumers were it to fail. Irrespective of the likelihood of failure of a firm, the Central Bank will always devote a considerable amount of time to those firms which have the greatest potential impact and will allocate significant resources to understanding it and the risks it faces. Further details on PRISM, what it is and how it works, can be found in the information paper PRISM Explained on the Central Bank website. Impact categorisations are derived from empirical metrics taken from firms' financial returns submitted to the Central Bank (the Impact Metrics used by the Central Bank are listed in Appendix C of the information paper PRISM Explained).

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 ICON Plc

22 November 2012

The Central Bank of Ireland (the "Central Bank") has entered into a Settlement Agreement with effect from 21 November 2012 with ICON Plc (the "Firm") in relation to breaches of the Market Abuse Rules issued by the Central Bank in 2009.

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

The breaches related to the Firm's failure, as a publicly-listed company, to make two market announcements, within the timelines prescribed in Rule 7.2 of the Market Abuse Rules 2009 (i.e., "without delay and in any event not later than the end of the business day following receipt of the information by the issuer)", in relation to transactions conducted in December 2011 by two persons discharging managerial responsibilities ("PDMRs") within the meaning of the Market Abuse (Directive 2003/6/EC) Regulations 2005 (as amended). The relevant announcements were not made by the Firm until almost four months after the transactions occurred.

The Firm identified the breaches and brought them to the attention of the Central Bank.

This settlement should serve as a reminder of the importance of making required disclosures to the market in a timely and accurate manner.

In deciding the appropriate penalties to impose, the Central Bank took the Firm's co-operation into account, that the delay was unintentional and the early stage in the market abuse administrative sanctions procedure at which settlement was reached.

The Firm has confirmed to the Central Bank that it has taken steps to reinforce its procedures in an effort to ensure that such contraventions do not arise in the future.

The Central Bank confirms that the matter is now closed.

ENDS

The Central Bank of Ireland entered into a Settlement Agreement on 21 November 2012 with ICON Plc in relation to breaches of the Market Abuse Rules issued by the Central Bank in 2009.

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

"Timely and accurate regulatory announcements are fundamental to the effective operation of the securities markets and are an important source of information for the users of these markets. A failure to discharge this important regulatory requirement also poses a risk to the Central Bank's ability to detect and prevent market abuse. This includes failures to announce, in a timely and accurate manner, transactions carried out by persons discharging managerial responsibilities and persons closely associated with them. Firms must be aware of the seriousness with which the Central Bank regards any breaches of Market Abuse law, including the Market Abuse Rules."

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

Central Bank Announces Appointment of Registrar of Credit Unions

23 November 2012

Sharon Donnery has been appointed Registrar of Credit Unions in the Central Bank of Ireland. Ms Donnery is currently a Head of Division within the Bank's Consumer Protection Directorate. She will be responsible for regulation and supervision of the credit union sector in Ireland and succeeds the current registrar Mr. James O'Brien who is leaving the Bank to take up a role abroad.

Ms Donnery will take up her new position on 1 February 2013.

Announcing the appointment today, Director of Credit Institutions and Insurance Supervision at the Central Bank, Fiona Muldoon said: 'I am delighted to announce the appointment of Sharon Donnery as Registrar of Credit Unions. Sharon brings a range of regulatory knowledge and experience to the position along with a strong consumer protection background.'

Ms Donnery joined the Central Bank in 1996 as an economist. She has held a number of management positions in the Bank and has been in her current role for almost three years where she has gained significant experience in dealing with regulatory issues and mortgage arrears.

Ms Donnery has chaired the European Banking Authority's Sub-Group on Consumer Protection since its establishment in early 2011. She is also the vice-chair of the EBA's Standing Committee on Consumer Protection and Financial Innovation.

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

Central Bank Publishes Updated Prospectus Handbook

27 November 2012

The Central Bank of Ireland has published the updated Prospectus Handbook which incorporates the amendments to Directive 2003/71/EC brought about by Directive 2010/73/EU.

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

Money and Banking Statistics: October 2012

30 November 2012

The Central Bank of Ireland today published the October 2012 Money and Banking Statistics[1]

Loans and other credit

- Loans to Irish households decreased at a rate of 3.7 per cent in the year ending October 2012, unchanged from the rate of decrease recorded at end-August and end-September. Lending for house purchase was 1.9 per cent lower on an annual basis in October, while lending for consumption and other purposes decreased by 8.6 per cent over the same period.
- Lending to households declined by €514 million during the month of October, following a net monthly decrease of €88 million during September. Developments in October were driven by a decline in loans for consumption and other purposes of €331 million, while loans for house purchase decreased by €184 million during the month.
- The monthly net flow of loans to households averaged minus €367 million in the three months ending October 2012, which is comprised of average net flows of minus €108 million in loans for house purchase, minus €143 million in loans for consumption purposes, and minus €116 million in lending for other purposes.
- Lending to Irish resident non-financial corporations (NFCs) declined by 4.2 per cent in the year ending October 2012, the same annual rate of decline as reported in September.
- On a monthly basis, loans to NFCs declined by €455 million during October, following a decline of €358 million in September. The monthly net flow of loans to NFCs averaged minus €349 million in the three months ending October 2012, compared with an average of minus €296 million in the three-month period up to end-September 2012.
- The developments in outstanding loans to NFCs during October 2012 were driven by a decline of €404 million in longer-term loans with an original maturity over five years. Short-term loans with an original maturity of up to one year, which includes the use of overdraft facilities, increased by €276 million during October, while medium-term NFC loans, with a maturity between one and five years, declined by €327 million.
- On an annual basis, NFC loans with an original maturity over five years fell by 0.6 per cent in October 2012. Short-term loans to NFCs rose by 0.3 per cent in the year ending October 2012, while medium-term loans declined by 12.5 per cent over the same period.

- Credit institutions' holdings of debt and equity securities issued by the Irish private sector increased by €284 million during the month of October 2012, with an annual rate of change of minus 6.6 per cent. This follows a decline of 7.7 per cent for the year ending September 2012. Developments in holdings of private-sector securities continue to be dominated by holdings of debt securities issued by Other Financial Intermediaries (OFIs), primarily asset- backed securities issued by special purpose vehicles (SPVs).

Deposits and other funding

- Irish resident private-sector deposits rose at an annual rate of 2.4 per cent in October 2012, this follows a 1.8 per cent increase in the year ending September 2012. Deposits from households were 0.4 per cent higher on an annual basis at end-October, while deposits from Insurance Corporations and Pension Funds (ICPFs) and OFIs increased by 7.4 per cent. Deposits from NFCs grew by 1.6 per cent over the same period.
- There was a month-on-month increase of €1,540 million in Irish resident private-sector deposits during October 2012. This was driven by increases across three of the four depositor sectors. Deposits from ICPFs/OFIs rose by €330 million during October, while NFC deposits increased by €1,291 million. However, deposits from Irish resident households decreased by €81 million during the month.
- Private-sector overnight deposits increased by €1,918 million during October 2012, largely reflecting developments in the NFC sector where overnight deposits rose by €1,511 million. Overnight deposits from OFIs, ICPFs and households also increased during October, by €140 million, €78 million and €190 million, respectively.
- Deposits with agreed maturity up to two years rose by €283 million in October 2012, mainly reflecting an increase of €554 million in the OFI sector. All other depositor sectors showed moderate decreases of €24 million, €144 million and €102 million for households, NFCs and ICPFs, respectively.
- The positive movements into overnight deposits and deposits with a fixed term up to two years were partially offset by falls in term deposits over two years maturity (€387 million) and deposits redeemable at notice up to three months (€286 million). The fall in longer-term deposits during October were driven by developments in the OFI sector, whereas the fall in redeemable at notice deposits was due to households continuing to move funds out of this product category.
- Private-sector deposits from non-residents declined by €467 million during October 2012. Other euro area private-sector deposits fell by €560 million, while private-sector deposits from non-euro area residents increased by €93 million over the month. Total non-resident private-sector deposits had fallen by 7.5 per cent on an annual basis at end-October 2012, with deposits from other euro area private-sector

entities being 10.5 per cent lower, and those from the non-euro area private sector being 5.6 per cent lower.

- Credit institutions’ borrowings from the Central Bank as part of Eurosystem monetary policy operations increased by €1,394 million in October 2012. The outstanding stock of these borrowings from the Eurosystem by Irish resident credit institutions amounted to €84.4 billion at end-October. Domestic market credit institutions[2] accounted for €72.1 billion of this total outstanding stock.
- A number of credit institutions have issued debt under the Eligible Liabilities Guarantee scheme and have retained the bonds concerned for their own use. For methodological reasons these are not included in the Money and Banking Statistics tables. At end-October 2012, the outstanding amount of these bonds was €8 billion.
- Please note that the November 2012 Money and Banking Statistics will be published on 4 January 2013.

[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.

Central Bank Data on Financial Vehicle Corporations Q3 2012

30 November 2012

The Central Bank today publishes Q3 2012 data on financial vehicle corporations (FVCs) resident in Ireland.

The Central Bank today publishes Q3 2012 data on financial vehicle corporations (FVCs) resident in Ireland. The information contains detailed quarterly financial vehicle balance sheet and transactions data, with the main focus on 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 Q3 2012 show that on the liabilities side, debt securities issued reported negative transactions of €9.6 billion, with this figure primarily relating to debt securities with maturity of over two years. Total assets reported by FVCs resident in Ireland declined in value for the seventh consecutive quarter, falling to €456.4 billion (Chart 1). This is driven by large net outflows of securities other than shares and securitised loans of €9.5 billion and €3.8 billion respectively. It is also worth noting that deposit and loan claims and other assets (comprised of financial derivatives, fixed and remaining assets), reported positive transactions, the first increases seen since Q4 2011. This contributed to an increase in stock of €1.8 billion of other assets. Overall, outflows were slightly offset by overall positive revaluations of €1.5 billion in Q3 2012, down from €4.5billion in Q2 2012.

The fall in Irish FVC assets over the period was in line with the euro area trend, where total assets fell by €82.6 billion to €2,079 billion. Ireland's share of total euro area assets remain constant when compared with Q2 2012, amounting to 21.9%. This euro area decline was mainly driven by outflows of €71.9 billion from debt securities issue, in particular those with maturity of over two years.

The main developments during Q3 2012 were:

- The largest component in the decline in Irish resident FVC assets during Q2 2012 was a net outflow of €9.5 billion in securities other than shares. This led to outstanding amounts falling to €111.9 billion from €120.6 billion in the previous quarter, thereby continuing the pattern of quarterly declines in value seen since Q4 2010.
- Deposit and loan claims and other assets experienced slight increases in Q3 with positive transactions being reported for both asset categories. These are the first positive transactions reported for any asset class since Q2 2011.
- On the liabilities side, outstanding amounts of debt securities issued continued to decrease in value, falling form €333.7 billion to €324.7 in Q3 2012, with the reduction largest for debt securities with over two years to maturity. However, negative transactions at €9.6 billion for the quarter were down when compared with Q2 2012, when minus €17.6 billion was recorded.

- Loans and deposits received and other liabilities reported negative transactions of €1.1 billion and €3.8 billion respectively for the quarter, in contrast to the positive transactions both categories returned for Q2 2012. (Other liabilities comprise financial derivatives and remaining liabilities).

Overall, the annual growth rate of all asset categories continued to decline. This is most obvious for share and other equities, which reported an annual growth rate of minus 37.5%. However, the decline in the growth rate for deposit and loan claims and other assets more than halved in Q3 2012 when compared with Q2, measuring minus 5.6% and minus 28.6% respectively. On the liabilities side, the annual growth rate of total debt securities was minus 16.5% in Q3 2012, while loans and deposits received continued the trend seen throughout 2012, registering positive growth rate of 3.1%. Overall, the total annual growth rate for total FVC assets increased slightly when compared with Q2 2012, measuring minus 14.1% in Q3 2012.

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.

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

Central Bank of Ireland Announces Regional Visit to Galway

3 December 2012

The Central Bank of Ireland has announced a series of events and meetings to take place in Galway this month. This is the first in a series of regional events that the Central Bank plans to undertake. The Galway events, which take place on 11-12 December 2012, will include a meeting of the Central Bank Commission, an address to Galway Chamber of Commerce, a coin launch, and a consumer protection roadshow for retail intermediaries.

The Galway visit will mark the first time in its history that the board of the Central Bank – the Central Bank Commission - will hold a formal meeting outside of Dublin. The meeting will take place at NUI Galway on Wednesday 12 December. The meeting takes place at the invitation of the NUI Galway President, Dr James J Browne. Officials of the Central Bank will also hold a series of meetings with NUI Galway staff.

The Central Bank will also launch its latest collector coin at NUI Galway on 12 December - a €15 silver proof coin. The coin is the last in a three-year series which pays tribute to the original 1928 Irish coin designs by Percy Metcalfe. The coin will be launched by the Governor of the Central Bank, Patrick Honohan.

The Central Bank's Chief Economist, Lars Frisell, will present the annual Paddy Ryan Memorial Lecture at the Galway Mayo Institute of Technology (GMIT) on the evening of Tuesday 11 December. The Consumer Protection Directorate will host its final Retail Intermediary Road Show for 2012 at the Ardilaun Hotel on 12 December.

Commenting on the series of events, Governor Patrick Honohan said: 'The Central Bank is a national institution serving the whole country. While based in the capital, it is important that we get out of Dublin and visit different parts of the country on a regular basis. While we do so for individual events and speeches, this is the first time that we have grouped a number of such events together. We are delighted therefore to be undertaking this first regional visit of the Central Bank to Galway and to be working with NUI Galway, GMIT and the Galway Chamber of Commerce on our various events. I am looking forward to the discussions and meetings ahead.'

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

Generation €uro Students' Award: Round 2 Teams Announced

10 December 2012

The Central Bank of Ireland today (10 December 2012) announced the schools which have successfully progressed to Round 2 of the Generation €uro Students' Award.

Over 260 students entered this year's competition which challenges transition year students to learn about monetary policy instruments, in particular interest rate decisions, and to simulate the role of the Governing Council of the European Central Bank (ECB) to determine the most appropriate interest rate for the euro area.

The following schools will compete in Round 2:

- Balla Secondary School, Balla, Co. Mayo;
- Coláiste Bríde, Clondalkin, Dublin;
- Donabate Community College, Donabate, Co. Dublin;
- Gaelcholáiste Mhuire AG, An Mhainistir Thuaidh, Corcaigh;
- Gorey Community School, Gorey, Co. Wexford;
- Jesus and Mary College, Goatstown, Dublin;
- Marian College, Ballsbridge, Dublin;
- Meánscoil San Nioclás, Rinn o gCuanach, Co. Phort Láirge;
- Midleton CBS Secondary School, Midleton, Co. Cork;
- Scoil Uí Mhuirí Post Primary, Dunleer, Co. Louth;
- Skerries Community College, Skerries, Co. Dublin;
- St. Augustine's College, Abbeyside, Dungarvan, Co. Waterford;
- St. Gerards School, Bray, Co. Wicklow;
- St. Mary's Secondary School, Mallow, Co. Cork;
- The High School, Rathgar, Dublin;
- Tullamore College, Tullamore, Co. Offaly.

Round 2 teams are required to complete an essay of 2,000 words in which they must explain the factors that affect price stability and the role of monetary policy measures; decide on an appropriate interest rate for the ECB's main refinancing operations, and assess economic conditions in the euro area on the basis of data available to the Governing Council of the ECB.

The deadline for receipt of completed essays is 15 February 2013 and the top three teams will be invited to participate in the National Final at the Central Bank of Ireland next March.

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

Central Bank of Ireland Issues €15 Silver Proof Collector Coin

12 December 2012

The Central Bank of Ireland today issued its latest collector coin, a €15 silver proof coin featuring the design of a wolfhound, at NUI Galway.

The coin is the final in a series of three which pays tribute to the original 1928 coins designed by Percy Metcalfe and which featured iconic Irish animals including the Irish hunter horse and the salmon. The €15 coin features the design of a wolfhound alongside its pup and is the work of coin designer Emmet Mullins.

Speaking at the launch, Governor Patrick Honohan said: 'We are delighted to be in Galway today to mark the issue of the final €15 coin honouring Percy Metcalfe's 1928 designs. Today's coin launch coincides with a number of Central Bank events taking place in Galway including the first meeting of the Board of the Central Bank – the Central Bank Commission - outside of Dublin and a consumer protection road-show for retail intermediaries. I would like to thank Dr. James J. Browne, President of NUI Galway for hosting today's events and for the warm welcome we have received.

The collector coin has an issue limit of 8,000 units and is available to the public at a cost of €46 per coin. Each coin is accompanied by a numbered Certificate of Authenticity specifying the quality of the coin and the limited issue.

The coin can be purchased by downloading an order form from the Collector Coin section of our website or by calling 1890 307 607 (lo-call within Ireland) or (+353 1) 219 8000. It may also be purchased directly from the Central Bank's premises in Dame Street, Dublin.

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

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

12 December 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-October 2012. The dataset contains information on the volume of bonds and notes issued during October, as well as the market valuation of outstanding equity shares by sector of issuer at end-September. The sectors of the issuers are: banks; Government; other financial intermediaries; non-financial corporates; and insurance companies and pension funds.

Overview:

- At end- October 2012, the outstanding amount of debt securities issued by Irish financial and non-financial firms, and the Government was €1.02 trillion (or broadly unchanged from October 2011). This contrasts with a year-on-year increase of approximately 3 per cent across the euro area.
- Market-based debt financing for the banking sector expanded during October with net issues of approximately €4.9 billion. The outstanding amount of debt securities for this sector saw a year-on-year fall of 24 per cent.
- At end- October 2012, Irish resident investors accounted for 27 per cent of long-term Irish Government bonds compared with 20 per cent in October 2011.
- Equity shares had an outstanding value of €194.1 billion at end-October. This includes quoted shares issued by Irish residents (€193.6 billion) which saw a year-on-year net increase of 20 per cent (driven primarily by increases in the non-financial corporate sector).
- By contrast, the value of the stock of quoted shares in the euro area increased by approximately 7 per cent in October.

Government Debt Issuance:

- Long-term Government debt remained broadly unchanged in October 2012.
- Long-term Government bonds of €88.4 billion were outstanding at end-October[1] representing a year-on-year decrease of approximately 2 per cent when compared with October 2011 (€89.7 billion).
- The NTMA issued €500 million of Treasury Bills during October 2012[2].

- €16.9 billion (or 19 per cent) of euro-denominated long-term debt will fall due over the next 3 years (Table 1); 60 per cent of which is payable to non-resident investors.

Holdings of Government Bonds:

- Approximately 42 per cent (or €26.7 billion; see Figure 2) of those long-term bonds held by non-resident investors will mature between 2020 and 2025.
- At end- October 2012, Irish resident investors accounted for 27 per cent of long-term Irish Government bonds compared with 20 per cent in October 2011.
- The Irish banking sector accounted for a significant portion of this increase; with 24 per cent of all holdings at end- October 2012 (or €21.4 billion), compared with 17 per cent at end- October 2011.

Banking Sector:

- Market-based debt financing for the banking sector expanded during October 2012 with a net issuance of €4.9 billion; this was driven by short-term securities. This is the first time that the monthly amount outstanding for this sector has increased since April 2011.
- The outstanding amount of debt securities saw a year-on-year fall of 24 per cent with short-term debt contracting by 36 per cent.
- Over the past 12 months, the total outstanding amount of debt securities for the euro area increased by 2 per cent.
- The outstanding amount of the banking sector's equity securities decreased by €150 million (or 1 per cent) in October 2012. This represents a year-on-year decrease of 2 per cent.

Non-Financial Corporates:

- The outstanding amount of debt securities issued by non-financial corporates (NFC) fell by more than €600 million to approximately €2 billion at end-October 2012, or a 32 per cent decrease from October 2011. The year-on-year increase in the outstanding debt securities for NFCs resident in the euro area was approximately 13 per cent.
- The outstanding amount of equity securities in the NFC sector decreased by €4.6 billion in October (to €165.5 billion). This represents an increase of 23 per cent when compared to October 2011. The annual percentage change in market capitalisation for NFCs in the euro area was approximately 7 per cent.

[1] Refers to debt securities in all currencies (but principally includes euro-denominated debt)

[2] The settlement date for these bonds was 22nd October

[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.

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

13 December 2012

The Central Bank of Ireland (the "Central Bank") has entered into a Settlement Agreement with effect from 12 December 2012 with Dolmen Stockbrokers Limited (the "Firm") in relation to a breach of the Market Abuse (Directive 2003/6/EC) Regulations 2005 (as amended) (the "Market Abuse Regulations").

Reprimand and Fine

The Central Bank reprimanded the Firm and required it to pay a monetary penalty of €20,000.

Breach of the Market Abuse Regulations

The Firm breached Regulation 13 of the Market Abuse Regulations in April 2011 as it failed to notify the Central Bank about a client transaction which might have constituted market abuse. This breach pre-dated the change in ownership of the Firm, which completed in November 2012.

Background

The Firm is required, under Regulation 13 of the Market Abuse Regulations, to report suspicious transactions, including transactions which might be based on inside information, to the Central Bank. A suspicious transaction was identified by the Central Bank's Transaction Reporting and Monitoring team, following which the Central Bank discovered that the Firm had not filed a Suspicious Transaction Report ("STR") with the Central Bank in relation to the transaction.

Penalty decision factors

In deciding the appropriate penalties to impose, the Central Bank took the Firm's co-operation into account and the early stage in the market abuse administrative sanctions procedure at which settlement was reached.

The Firm has confirmed to the Central Bank that it has taken steps to reinforce its procedures in an effort to ensure that such a contravention does not arise in the future.

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:

"Suspicious Transaction Reports or STRs are one of the Central Bank's primary intelligence tools in the detection, investigation and ultimately the prevention of market abuse.

Those that professionally arrange transactions are required, under the Market Abuse Regulations, to submit STRs to the Central Bank, without delay, where they reasonably suspect that transactions might constitute market abuse. The failure to submit STRs to the Central Bank, when it is appropriate to do so, results in a potential for market abuse to go undetected and thereby compromises market integrity and public confidence in the markets.

The Central Bank expects firms to file an STR as soon as a suspicion that a transaction might constitute market abuse becomes apparent."

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

Residential Mortgage Arrears and Repossessions Statistics Q3 2012

13 December 2012

Summary

The Central Bank today publishes an expanded statistical release on mortgage arrears, restructures and repossessions for the period ending September 2012.[1] The figures show that 86,146 (11.3 per cent) private residential mortgage accounts for principal dwelling houses (PDH) were in arrears of over 90 days at end-September, up from 81,035 accounts (10.6 per cent) at end-June 2012. The pace of increase in PDH arrears cases over 90 days has slowed further. The quarter-on-quarter increase in the number of PDH accounts in arrears over 90 days was 6.3 per cent in Q3, compared to 7.1 per cent in Q2. The rate of increase in PDH arrears cases over 180 days also slowed, to 8.2 per cent in Q3 compared to 9.3 per cent in Q2. Meanwhile, the number of early arrears cases increased during Q3, reversing the trend of the previous two quarters. The figures show that 49,482 PDH mortgage accounts were in arrears of less than 90 days at end-September 2012, reflecting a quarter-on-quarter increase of 4.9 per cent. It should be noted, however, that this increase was in the category of arrears of less than 30 days and was entirely attributable to technical timing issues relating to end-month receipt and processing of mortgage payments. Excluding the impact of these technical issues, it is estimated that there was a quarter-on-quarter decline in the number of accounts in arrears of less than 90 days of 1.3 per cent. The data also show that 81,683 PDH mortgage accounts were classified as restructured by the mortgage lenders as at end-September 2012.

The Central Bank is also publishing, for the first time, data on residential mortgage accounts for buy-to-let (BTL) properties. These figures indicate that 26,770 (17.9 per cent) BTL accounts were in arrears of more than 90 days as at the end of September 2012. This figure has increased since end-June 2012, when 24,879 (16.6 per cent) BTL accounts were in arrears of more than 90 days. The data also indicate that 22,553 BTL mortgage accounts were classified as restructured as at end-September 2012.

Residential Mortgages on Principal Dwelling Houses

Arrears

- At end-September 2012, there were 761,954 private residential mortgage accounts for principal dwellings held in the Republic of Ireland, to a value of €111.2 billion. Of this total stock of accounts, 86,146, or 11.3 per cent, were in arrears of more than 90 days.[2] This compares with 81,035 accounts (10.6 per cent of total) that were in arrears of more than 90 days at end-June 2012.[3] The outstanding balance on PDH mortgage accounts in arrears of more than 90 days was €16.8 billion at end-September, equivalent to 15.1 per cent of the total outstanding balance on all PDH mortgage accounts.

- The number of accounts that were in arrears of more than 180 days was 67,401 at end-September 2012, reflecting a quarter-on-quarter increase of 8.2 per cent. New data collected this quarter indicate that 19,541 accounts, or 2.6 per cent of the total stock, were in arrears of more than 720 days at end-September.
- There was a quarter-on-quarter increase of 4.9 per cent in the number of early arrears cases during the third quarter of the year, following a decline of 0.2 per cent in Q2. The number of PDH mortgage accounts in arrears of less than 90 days was 49,482 at end-September, or 6.5 per cent of the total stock. All of this quarterly increase was in early arrears of up to 30 days. It should be noted that the 0-30 days arrears category can be volatile due to technical reporting reasons.

Restructuring Arrangements

- Forbearance techniques include a switch to an interest only mortgage; a reduction in the payment amount; a temporary deferral of payment; extending the term of the mortgage; and capitalising arrears amounts and related interest[4]. The figures also include a small number of new loan modifications recently introduced by mortgage lenders with the aim of providing longer-term and more sustainable solutions for customers in financial difficulty.
- There was a total stock of 81,683 PDH mortgage accounts that were categorised as restructured at end-September 2012. This reflects a decrease of 3.8 per cent (approximately 3,200 accounts) from the stock of restructured accounts reported at end-June. This development is largely related to a reclassification effect, resulting from the application of a more harmonised definition of restructures across all institutions.
- Of the total stock of restructured PDH mortgages at end-September, 43,742 were not in arrears. The remaining 37,941 restructured accounts were in arrears of varying lengths. These restructured accounts in arrears include accounts that were in arrears prior to restructuring where the arrears balance has not yet been eliminated, as well as accounts that are in arrears on the current restructuring arrangement. Being in arrears does not necessarily imply that the terms of the restructure arrangement are not being met, as an arrears balance may have been carried forward into the new arrangement. Restructured accounts that are not in arrears may have previously had an arrears balance which has since been eliminated, or they could be 'pre-arrears'[5] cases.

- The data on arrears and restructures indicate that of the total stock of 135,628 PDH accounts that were in arrears at end-September, 37,941, or 28 per cent, were classified as restructured at that time.
- Interest only arrangements and reduced payment arrangements (interest plus some capital) continue to account for the majority of all restructure types (approximately 62 per cent). A breakdown of restructured mortgages by type is presented in Figure 2.

Legal Proceedings and Repossessions

- During the third quarter of 2012, legal proceedings were issued to enforce the debt/security on a mortgage in 466 cases. Court proceedings concluded in 119 cases during the quarter, and in 79 of these cases the Courts granted orders for possession or sale of the property.
- There were 944 properties in the banks' possession at the beginning of Q3. A total of 154 properties were taken into possession by lenders during the quarter, of which 47 were repossessed on foot of a Court Order, while the remaining 107 were voluntarily surrendered or abandoned.
- During the quarter 153 properties were disposed of, while one property in possession was reclassified as a BTL property. As a result, lenders were in possession of 944 PDH properties at end-September 2012.

Residential Mortgages on Buy-to-Let Properties

Arrears

- At end-September 2012, there were 149,592 residential mortgage accounts for buy-to-let properties held in the Republic of Ireland, to a value of €31.1 billion. Of this total stock of accounts, 26,770, or 17.9 per cent, were in arrears of more than 90 days. This compares with 24,879 accounts (16.6 per cent of total) that were in arrears of more than 90 days at end-June 2012. The outstanding balance on BTL mortgage accounts in arrears of more than 90 days was €7.9 billion at end-September, equivalent to 25.5 per cent of the total outstanding balance on all BTL mortgage accounts.
- The number of accounts that were in arrears of more than 180 days was 21,828 at end-September 2012, reflecting a quarter-on-quarter increase of 10 per cent. Meanwhile, 6,628 accounts, or 4.4 per cent of the total stock, were in arrears of more than 720 days at end-September.
- There was a moderate quarter-on-quarter increase of 0.8 per cent in the number of early arrears cases during the third quarter of the year.

The number of BTL mortgage accounts in arrears of less than 90 days was 9,919 at end-September, or 6.6 per cent of the total stock.

Restructuring Arrangements

- There was a total stock of 22,553 BTL mortgage accounts that were categorised as restructured at end-September 2012. This reflects an increase of 4.1 per cent (approximately 880 accounts) from the stock of restructured accounts reported at end-June.
- Of the total stock of restructured mortgages at end-September 14,275 were not in arrears. The remaining 8,278 restructured accounts were in arrears of varying lengths.
- The data on arrears and restructures indicate that of the total stock of 36,689 BTL accounts that were in arrears at end-September, 8,278, or 22.6 per cent, were classified as restructured at that time.
- Interest only arrangements and reduced payment arrangements (interest plus some capital) accounted for the majority of all restructure types (approximately 76 per cent).

Legal Proceedings and Repossessions

- According to the new data, there were 566 BTL cases in which a rent receiver had been appointed as at end-September. In 103 of these cases the rent receiver was appointed during the third quarter of 2012.
- There were 378 BTL properties in the banks' possession at the beginning of Q3. A total of 74 properties were taken into possession by lenders during the quarter, of which 28 were repossessed on foot of a Court Order, while the remaining 46 were voluntarily surrendered or abandoned.
- During the quarter 39 properties were disposed of, while one property previously classified as a PDH was reclassified as a BTL. As a result, lenders were in possession of 414 BTL properties at end-September 2012.

Annex 1: Mortgage Arrears Data and Further Information

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] Please note that a new collection system has resulted in some changes to previous quarters' data. Further details are provided in the relevant sections of the release.

[2] 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.

[3] Please note that some of the historical data relating to arrears have been revised this quarter. This is due to a reclassification effect, resulting from the application of a more harmonised definition of arrears across reporting institutions. Arrears figures for the previous three quarters have been revised downwards as a result of this reclassification effect.

[4] Arrears capitalisation is an arrangement whereby some or all of the outstanding arrears are added to the remaining principal balance, to be repaid over the life of the mortgage.

[5] 'Pre-arrears' refers to cases in which the account has not fallen into arrears but the borrower anticipates future difficulty and agrees a forbearance arrangement with the lender.

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

Central Bank Data on Investment Funds: Q3 2012

14 December 2012

The Central Bank today publishes statistics for Q3 2012 on investment funds (IFs) resident in Ireland [1]. IFs, measured by total shares/units in issue, increased by 4.4 per cent to €892 billion by end-Q3 2012, driven by revaluations of €24.3 billion and net new subscriptions of €13.5 billion. Growth was concentrated in equity and bond funds, at 5.3 and 4.5 per cent respectively, though was also evident in all fund types. During the same period, European units/shares in issue increased by 4.4 per cent to €6.3 trillion, within which equity funds increased by 5.3 per cent and bond funds increased by 4.6 per cent.

Looking at the asset holdings of Irish IFs, 77 per cent were located outside of the euro area, 14 per cent in the rest of the euro area and 9 per cent within the state[2]. Looking at the ownership of units/shares in Irish IFs, 70 per cent were held by non-euro area residents, 24 per cent by other euro area residents and 6 per cent by Irish residents.

Sovereign bond investment holdings increased by 6.5 per cent to €160 billion in Q3 2012. UK sovereign bonds, the largest country holding of Irish IFs, benefitted from inflows of €3.1 billion to close at €46.9 billion. Holdings of German sovereign bonds experienced a net inflow of €1.2 billion to close at €20.1 billion. French sovereigns experienced outflows of €0.5 billion despite positive revaluations of €0.9 billion to close at €11.3 billion, perhaps indicating market preparations for a potential ratings downgrade. Spanish and Italian sovereign bonds had inflows of €0.5 billion and €1.8 billion respectively, to close at €1.4 billion and €8.4 billion, indicating a favourable response to ECB policy measures. Holdings of 'outer-core' EU sovereigns, such as the Netherlands, Belgium and Finland remained largely static at low levels, of €3.5 billion, €2.4 billon and €0.3 billion respectively. Irish sovereign holdings remained small at €0.4 billion. Holdings of US and Japanese sovereign assets remained relatively stable at €39 billion and €2.2 billion respectively. It is worth noting, however, that investment in non-government paper far exceeds that of sovereign bonds, accounting for €430 billion.

Net inflows into holdings of Monetary and Financial Institutions' (MFIs) assets amounted to 5.5 per cent of total holdings, to a stock of €203 billion in Q3 2012, comprising €176 billion in paper and €26.9 billion in shares. UK MFIs experienced the largest inflows, up €5.6 billion to close at €34.4 billion. Exposure to German MFIs moved the opposite direction, experiencing outflows of €2.6 billion to close at €10.5 billion. Spanish and Italian MFIs remained static at €1.4 billion and €1.1 billion respectively. Irish MFI holdings increased marginally to €3.5 billion. The non-financial sector experienced net outflows of 2 per cent to close at €364 billion, split between €235 billion in equity and €129 billion in commercial paper.

Investment Funds by Category

Bond funds, which accounted for €373 billion of Irish IFs by shares/units in issue, experienced inflows of €12 billion and positive revaluations of €4.2 billion, amid generally increasing bond prices. This continues a longer term trend of significant inflows into bond funds, which comprised 42 per cent of Irish IFs by end-Q3 2012, compared with 24 per cent at end-Q1 2010.

Equity funds, which accounted for €290 billion of IFs, saw positive revaluations of €12.9 billion and net transactions inflows of €1.7 billion, in line with strong global equity markets over the quarter. Equity funds have experienced positive revaluations since late 2011, following a sharp negative adjustment in mid-2011.

Hedge funds increased in value to €79 billion, driven largely by revaluations of €2.2 billion amid a net transactions outflow of €0.3 billion. The revaluation performance was tempered by the fact that some hedge funds assumed short positions in a positively performing market. Hedge funds have not outperformed other investment strategies in the year to date.

Other funds, comprising mostly mixed funds[3], experienced negligible inflows of €0.2 billion, despite positive revaluations of €5.1 billion, culminating in an increase in overall stock to €152 billion.

Notes to Editors

These data were published under the requirements of Regulation (EC) No 958/2007 concerning statistics on the assets and liabilities of investment funds (ECB/2007/8), which was passed on 27 July 2007, obliging investment funds to report quarterly balance sheets. Reporting is obligatory for all investment funds resident in Ireland.

The full data series for Ireland is available from the Central Bank website while euro area statistics are available from the ECB website.

Type of Fund

Equity funds are investment funds primarily investing in shares and other equity. The criteria for classifying an investment fund into equity funds are derived from the public prospectus, fund rules, instruments of incorporation, established statutes or by-laws, subscription documents or investment contracts, marketing documents, or any other statement with similar effect.

Bond funds are investment funds primarily investing in securities other than shares. The criteria for classifying an investment fund into bond funds are derived from the public prospectus, fund rules, instruments of incorporation, established statutes or by-laws, subscription documents or investment contracts, marketing documents, or any other statement with similar effect.

Mixed funds are investment funds investing in both equity and bonds with no prevalent policy in favour of one or the other instrument. The criteria for classifying an investment fund into mixed funds are derived from the public prospectus, fund rules, instruments of incorporation, established statutes or by-laws, subscription documents or investment contracts, marketing documents, or any other statement with similar effect.

Hedge funds, for the purpose of IF data collection, mean any collective investment undertakings (CIU) regardless of its legal structure under national laws, which apply relatively unconstrained investment strategies to achieve positive absolute returns, and whose managers, in addition to management fees, are remunerated in relation to the fund's performance. For that purpose, hedge funds have few restrictions on the type of financial instruments in which they may invest and may therefore flexibly employ a wide variety of financial techniques, involving leverage, short-selling or any other techniques. This definition also covers funds that invest, in full or in part, in other hedge funds provided that they otherwise meet the definition. These criteria to identify hedge funds must be assessed against the public prospectus as well as fund rules, statutes or by-laws, subscription documents or investment contracts, marketing documents or any other statement with similar effect of the fund.

Real estate funds are investment funds primarily investing in real estate. The criteria for classifying an investment fund into real estate funds are derived from the public prospectus, fund rules, instruments of incorporation, established statutes or by-laws, subscription documents or investment contracts, marketing documents, or any other statement with similar effect.

Other funds are investment funds other than bond funds, equity funds, mixed funds, real estate funds or hedge funds.

Open-ended investment funds are investment funds, the units or shares of which are, at the request of the holders, repurchased or redeemed directly or indirectly out of the undertaking's assets.

Closed-ended investment funds are investment funds with a fixed number of issued shares and whose shareholders have to buy or sell existing shares in order to enter or leave the fund.

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

[2] These figures exclude unclassified assets which account for €75 billion, or 7.6 per cent, of total assets of €985 billion.

[3] These also include real estate and other unclassified funds.

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

Trends in Personal Credit and Deposits: Q3 2012

14 December 2012

Summary [1]

- Total credit to Irish private households outstanding on the balance sheet of resident credit institutions was €96.9 billion at end-September 2012, following a quarterly decline of 0.7 per cent and an annual decline of 3.4 per cent.
- Including loans for house purchase that have been securitised and continue to be serviced by resident credit institutions, the total amount of loans to private households outstanding at end-September 2012 was €145.1 billion.
- The total deposits held in resident credit institutions by Irish private households was €87.2 billion at end-September 2012, following a quarterly increase of 0.4 per cent and an annual increase of 0.8 per cent.

Credit Advanced to Private Households – Loans for House Purchase

- The annual rate of change in loans for house purchase was minus 1.9 per cent at end-September 2012, following a quarterly decline of 0.4 per cent. This was the eleventh consecutive quarterly decline, bringing the outstanding amount of loans for house purchase on-balance sheet to €79.4 billion. The outstanding amount of securitised mortgages, which continue to be serviced by resident credit institutions, was €48.2 billion at end-September 2012.
- Floating rate mortgages, which include standard variable rate, tracker rate, and mortgages with a fixed rate up to one year[2], accounted for 90 per cent of the outstanding amount of loans for house purchase on-balance sheet at end-September 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 again during Q3 2012 to 39 per cent, following a net increase of €875 million during the quarter.
- Fixed rate mortgages accounted for 10 per cent of the outstanding amount of loans for house purchase on-balance sheet at end-September 2012, following a net decline of almost €1.1 billion during the quarter. Mortgages with a rate fixation period over one year and up to three years accounted for 47 per cent of fixed rate mortgages outstanding.

- Loans for principal dwellings accounted for 75 per cent of on-balance sheet loans for house purchase at end-September 2012, similar to recent quarters. Loans for principal dwellings fell during Q3 2012 by €187 million, reflecting an underlying decline of €864 million in fixed rate mortgages and an increase of €678 million in floating rate mortgages. The annual decline in loans for principal dwellings was 2.2 per cent at end-September 2012.
- Standard variable mortgages on principal dwellings increased by €805 million during Q3 2012, while tracker mortgages declined by €251 million and mortgages fixed for up to one year rose by €124 million. Floating rate mortgages (of which 46 per cent standard variable, 52 per cent tracker, and 3 per cent up to one year fixed) accounted for 88 per cent of the outstanding amount of loans for principal dwellings at end-September 2012. The share of floating rate mortgages was slightly higher for those loans included in a securitisation pool, at 93 per cent (Chart 3).
- The outstanding amount of on-balance sheet loans for buy-to-let residential properties fell to €19 billion at end-September 2012, accounting for 24 per cent of loans for house purchase. There was a net decrease of €91 million in these loans during Q3 2012 (minus 0.5 per cent), reflecting a decline of €188 million in fixed rate mortgages and a rise of €97 million in floating rate mortgages. Buy-to-let floating rate mortgages (of which almost 38 per cent standard variable, 61 per cent tracker, and 0.2 per cent up to one year fixed) accounted for 95 per cent of the outstanding amount of loans for buy-to-let properties at end-September 2012. The annual decline in loans for buy-to-let residential properties was 0.9 per cent at end-September 2012.
- Loans for holiday homes/second homes accounted for over 1 per cent of on-balance sheet loans for house purchase at end-September 2012. Floating rate mortgages accounted for 93 per cent of the outstanding amount of loans for holiday homes/second homes at end-September (of which almost 40 per cent standard variable, 60 per cent tracker, and 0.1 per cent up to one year fixed). The annual decline in loans for holiday homes/second homes was 6.7 per cent at end-September 2012.

Credit Advanced to Private Households – Other lending

- Non-housing related lending, or ‘other personal’ lending, accounted for 18 per cent (€17.6 billion) of total on-balance sheet credit advanced to Irish private households by resident credit institutions at end-September 2012.
- Lending in this category fell by 9.5 per cent in the year ending September 2012. This followed an annual decrease of 11 per cent at end-June 2012.
- Non-housing related lending to private households peaked in Q1 2009. By end-September 2012 it had declined by 22.4 per cent from that peak.

- Non-housing related lending to private households declined by €423 million during Q3 2012 (2.4 per cent). This reflected a decline in both finance for investment purposes and finance for other non-housing related purposes of €82 million and €341 million, respectively.

Deposits from Private Households

The deposits held in resident credit institutions by Irish private households stood at €87.2 billion at end-September 2012. This followed an increase of €342 million (0.4 per cent) during Q3 2012.

The outstanding amount of personal deposits was 0.8 per cent higher on an annual basis at end-September 2012, compared with annual rates of decline of 0.7 per cent and 0.2 per cent at end-March 2012 and end-June 2012, respectively.

The net flow of personal deposits in the year ending September 2012 was €689 million. This represents a significant improvement from the year ending September 2011 where the net flow of personal deposits was minus €4.5 billion.

Annex 1: Private Household Credit and Deposits Tables

The extensive set of Private Households Credit and Deposits Statistics tables, along with a detailed set of explanatory notes, are available in the Credit, Money and Banking section of the Statistics portal of the Central Bank website.

[1] The extensive set of Private Households 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.

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

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

Trends in Business Credit and Deposits: Q3 2012

14 December 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 fell by €330 million over the quarter (1.2 per cent), and €1.3 billion over the year ending September 2012 (4.9 per cent), bringing the total outstanding amount of credit advanced to SMEs in these sectors to €26.3 billion. This follows an annual decline of 4.6 per cent in the year to end-June 2012.
- 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 €448 million during Q3 2012.
- Credit advanced to all non-financial, non-property related enterprises declined by €712 million over the quarter (1.8 per cent), and €2.3 billion over the year to end-September 2012 (5.7 per cent), bringing total credit outstanding to non-financial, non-property related enterprises to €38.6 billion. This follows annual declines of 4.8 per cent and 4.6 per cent at end-March and June 2012, respectively.
- Credit advanced to property-related enterprises engaged in construction and real estate activities was 3.4 per cent lower over the year ending September 2012, following a decrease of €551 million in Q3. Lending to SMEs in these sectors had fallen by 3.5 per cent in the year ending September 2012, which included a decline of €189 million in Q3.
- Deposits held by Irish resident private-sector enterprises in credit institutions in Ireland rose by €2.2 billion (2.8 per cent) during Q3 2012, compared with an increase of €649 million (0.9 per cent) during Q2 2012. Non-financial enterprise deposits were €35.4 billion at end-September 2012, following a quarterly increase of €308 million (0.9 per cent). The annual rate of decline in deposits from these enterprises slowed to 1.1 per cent in September 2012, compared with 1.4 per cent in June 2012.

Credit Advanced to SMEs

- The outstanding amount of credit advanced to Irish SMEs by resident credit institutions was €72.5 billion at end-September 2012. This represented a decrease of 0.9 per cent over the quarter and a decline of 2.7 per cent over the year, compared with an increase of 0.3 per cent in Q2 2012 and a decline of 1.7 per cent for the year ending June 2012.
- 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[2]. Excluding the financial intermediation sector, credit outstanding to SMEs totalled €59.8 billion at end-September 2012, a decrease of €518 million (0.9 per cent) during the quarter and a decline of €2.5 billion (4.1 per cent) over the year.
- There was €33.5 billion of loans outstanding to SMEs in the property-related sectors of construction and real estate activities at end-September 2012, equivalent to 56 per cent of total credit outstanding to non-financial SMEs. Lending to SMEs in these sectors fell by a combined 3.5 per cent over the year ending September 2012, a net flow of minus €1.2 billion (i.e. repayments exceeded drawdowns[3] by this amount).
- Credit to non-property, non-financial SMEs accounted for 68.2 per cent of total credit to non-property, non-financial private-sector enterprises at end-September 2012. Lending to these SMEs fell by 4.9 per cent (€1.3 billion) in the year ending September 2012, with a decline of 1.2 per cent (€330 million) during the quarter. This follows a decline in lending to these SMEs during Q2 2012 of €390 million (1.4 per cent).
- Lending to SMEs increased marginally in two non-financial, non-property related sectors during Q3 2012. These quarterly increases occurred in lending to forestry, logging, mining and quarrying (€5 million) and water supply, sewerage, waste management and remediation activities (€2 million). Each of the other sectors witnessed a decline, the largest quarterly decline in value terms (again excluding financial and property related sectors) was in lending to the wholesale/retail trade and repairs sector (€152 million).
- A total of €448 million was drawn-down relating to new loans to SMEs in the non-property, non-financial sectors during Q3 2012. (i.e. drawdowns of new loans, excluding restructuring or renegotiations of existing facilities)[4], equivalent to 1.7 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 (€138 million), followed by the wholesale/retail trade and repairs (€84 million), other community, social and personal services sector (€47 million) and the hotels and restaurants sector (€41 million). The sectors with the highest levels of gross new lending relative to Q2 2012 stocks were water supply, sewerage, waste management and remediation activities (26.1

per cent), information and communication (4.1 per cent) and forestry, logging, mining and quarrying (4 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 €210.9 billion at end-September 2012. Approximately 55 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 and other financial vehicle corporations. Excluding financial intermediation, the total amount of private-sector enterprise credit outstanding was €95 billion at end-September 2012.
- The annual rate of change in non-financial private-sector enterprise credit was minus 4.3 per cent at end-September 2012, equivalent to a net annual flow of minus €4.3 billion. Credit advanced to the construction and real estate sectors fell by €2 billion over the year, or 3.4 per cent.
- Excluding property-related and financial sectors, credit advanced to Irish private-sector enterprises stood at €38.6 billion at end-September 2012, a decline of 5.7 per cent (€2.3 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 per cent, followed by the hotels and restaurants sector at 20 per cent. Credit to these sectors was 5.9 per cent and 1 per cent lower on an annual basis, respectively at end-September 2012.
- Credit advanced to the manufacturing sector was 1.8 per cent lower on an annual basis at end-September 2012, which followed a quarter-on-quarter decrease of €82 million.
- Credit to enterprises in the business and administrative services sector rose by €41 million during Q3 2012, following a fall of €232 million in the previous quarter. On an annual basis, credit advanced to this sector declined by 9.4 per cent in the year ending Q3 2012, compared with an annual decrease of 3 per cent for the year ending Q3 2011.
- Credit advanced to the agriculture sector, which accounted for 11 per cent of all non-property, non-financial credit to enterprises at end-September 2012, was 3.4 per cent lower on an annual basis, following a decline of €152 million over the year. Most of this annual decline was experienced in the final quarter of 2011 and related to enterprises engaged in the farming of animals. There was however, an overall quarterly increase in credit to agriculture of €24 million during Q3 2012.

Deposits from Irish Resident Private-Sector Enterprises

- The quarterly net flow of deposits from Irish private-sector enterprises during Q3 2012 was €2.2 billion (2.8 per cent). This followed an increase of €649 million during Q2 2012 (0.9 per cent). At end-September 2012 there was an annual increase in deposits from Irish resident private-sector enterprises of 2.9 per cent, compared with an annual fall of 4.9 per cent at end-June 2012.
- The financial intermediation sector (excluding monetary financial institutions) accounted for the majority of this annual increase, with deposits from this sector being €2.6 billion (6.5 per cent) higher over the year. On a quarterly basis, deposits from the financial intermediation sector rose by €1.9 billion (4.5 per cent).
- Excluding financial intermediation, there was an annual decline of private-sector enterprise deposits of 1.1 per cent (€387 million) in the year ending September 2012. However, deposits from these sectors increased by €308 million during Q3 2012.
- During Q3 2012, deposits from eight of the fifteen non-financial sectors increased, with the largest increase from enterprises engaged in wholesale/retail trade and repairs (€198 million), followed by manufacturing (€142 million). The largest decrease in deposits during the quarter was from enterprises engaged in primary industries (€229 million).

Annex 1: Business Credit and Deposits Tables

The extensive set of Business Credit and Deposits Statistics tables, along with a detailed set of explanatory notes are available are available in the Credit, Money and Banking section of the Statistics portal of the Central Bank website.

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

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

[3] 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.

[4] New sanctions or agreements relating to restructuring may be higher than the amounts of new facilities drawn-down by customers in a given period. Gross new lending would include, however, funds drawn-down following a restructuring or renegotiation of an existing facility that were not included in credit advanced at the end of the previous quarter.

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

Retail Interest Rate Statistics: October 2012

14 December 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. Irish residents accounted for approximately 99 per cent of outstanding household loan & deposit activity and 88 per cent of outstanding NFC loan & 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 retail interest rate statistics purposes, new business is defined as any new agreement between the customer and the credit institution.[3]

Households

Loans to Households

- Interest rates on outstanding loans to households for house purchase were marginally higher as of end-October 2012, increasing by two basis points compared with the previous month. The weighted average interest rate on outstanding mortgage loans with an original maturity of over five years (which accounted for 99 per cent of outstanding mortgage loans) was 2.92 per cent at end-October 2012, representing a 14 basis point decline since the beginning of the year.
- The corresponding interest rate reported by all credit institutions resident in the euro area declined to 3.61 per cent in October 2012. This represents a 5 basis point decline from the previous month and a decline of 28 basis points since the beginning of the year. Compared to the euro area, average interest rates on outstanding mortgages in Ireland have reflected movements in the ECB's main refinancing rate (MRO) to a greater extent over the last number of years (Chart 1). This relationship is principally derived from the higher proportion of 'tracker' and variable rate mortgage products in the domestic market.
- Interest rates on outstanding loans to households for consumption and other purposes declined again during the period to end-October 2012 to stand at 5.61 per cent, which represents a fall of 68 basis points since the beginning of the year. The interest rate on short-term loans for consumption and other purposes with an agreed maturity up to one year[4] decreased by 27 basis points in October 2012, to 8.99 per cent. The corresponding short-term rate reported by all credit institutions in the euro area was significantly lower at 7.76 per cent. In terms of

longer-term rates, the weighted average interest rate reported by Irish resident credit institutions on loans with an original maturity over five years was 3.92 per cent at end-October, falling 49 basis points since the beginning of the year. In the euro area, the equivalent long-term interest rate reported by all credit institutions stood at 4.95 per cent at end-October 2012.

- In relation to new business, the weighted average interest rate on loans for house purchase with either a floating rate or initial rate fixation of up to one year was 3.23 per cent in the Irish market at end-October 2012, rising by 11 basis points compared with the previous month. In the euro area the corresponding interest rate on loans for house purchase with either a floating rate or an initial fixation period of up to one year was 2.88 per cent. In the domestic market, loans in this instrument category accounted for 83 per cent of new mortgage business at end-October 2012. In contrast, loans in the same instrument category accounted for just 30 per cent of new mortgage business in the euro area.
- The weighted average interest rate on new loans to households for non-housing purposes increased from 6.31 per cent in September 2012 to 6.98 at end-October 2012. New business volumes in this instrument category have been quite low, averaging approximately €210 million per month over the year ending October 2012. As a result, the corresponding interest rate series has been volatile.

Deposits from Households

- Interest rates on total outstanding household term deposits fell in October 2012, declining from 3.35 per cent in September to 3.29 per cent. The weighted average interest rate on household deposits with an agreed maturity of up to two years decreased by 6 basis points, standing at 3.41 per cent at end-October 2012. In terms of longer-term interest rates, deposits with an agreed maturity over two years have remained broadly unchanged over the last number of months, falling by 4 basis points from end-September 2012 to 2.48 per cent at end-October 2012.
- Interest rates applicable to household term deposits increased significantly during both 2011 and the first half of 2012. However, more recently term deposit interest rates have begun to fall. Total term deposit rates reported by Irish resident credit institutions declined for the sixth consecutive month to stand at 3.29 per cent at end-October 2012.
- In relation to shorter-term deposits, which are redeemable at notice, interest rates have continued to decline over the last number of months[5]. At end-October 2012, the weighted average interest rate on deposits redeemable at notice was 1.51 per cent, representing a decline of 82 basis points since the beginning of the year. Deposit volumes suggest that households are moving out of short-term products, which

are redeemable at notice, and into longer-term deposits with agreed maturity, reflecting the higher interest rates currently being offered for term deposits by credit institutions.

- In terms of new deposit business, interest rates on household term deposits declined to 1.35 per cent at end-October 2012, compared with 1.55 per cent at end-September 2012.

Non-Financial Corporations (NFCs)

Loans to NFCs

- Interest rates on outstanding loans to NFCs issued by Irish resident credit institutions continued to decline in October 2012. The weighted average interest rate on all outstanding NFC loans was 2.98 per cent at end-October, compared with 3.12 per cent at end-September. The equivalent euro area weighted average interest rate was 3.39 per cent at end-October 2012.
- Loans with an original maturity of over five years accounted for approximately 48 per cent of all outstanding loans issued to NFCs by Irish resident credit institutions as of end-October 2012. The corresponding weighted average interest rate on these longer-term loans was 2.96 per cent. Over the same period, interest rates applicable to both short- and medium-term loans[6] were 3.19 per cent and 2.79 per cent respectively.
- The weighted average interest rate on new loans to NFCs up to €1 million[7] stood at 4.22 per cent at end-October 2012. This represents an increase of 11 basis points compared with September 2012; however, the October rate remains below the twelve month average of 4.69 per cent. The corresponding interest rate reported by all euro area credit institutions in October was 3.92 per cent.
- In terms of new business NFC loans above €1 million, Irish resident credit institutions reported a fall of 3 basis points in October 2012, to an average rate of 2.6 per cent. The equivalent euro zone interest rate increased marginally by 2 basis points over the same period to stand at 2.28 per cent. Increased month-on-month volatility in this interest rate series is principally derived from particularly low volumes in the respective instrument categories, low new business volumes can lead to heightened volatility as relatively few contracts can cause sizable movements within the overall series.

Deposits from NFCs

- The weighted average interest rate on outstanding NFC term deposits declined by 7 basis points in October 2012, to stand at 2.53 per cent, compared with a twelve month average of 2.96 per cent. Deposits with agreed maturity up to two years, which accounted for 96 per cent of all NFC term deposits, fell by 7 basis points to 2.57 per cent at end-October 2012. The equivalent rate at euro area level was 1.78 per cent for the period.

- In relation to new deposit business, the weighted average interest rate on new NFC term deposits was 1.08 per cent in October 2012, representing a slight increase of 5 basis points since September 2012 and the first increase in this sector since February 2012. During the same period, the equivalent weighted average euro area interest rate decreased by 7 basis points to 1.11 per cent.

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

[2] New business volumes have been exceptionally low in various instrument categories during the last number of months. Low volumes of this nature can result in increased volatility within the interest rate series.

[3] This agreement covers all financial contracts that specify, for the first time, the interest rate of the deposit or loan, including any re-negotiation of existing deposits and loans. Automatic renewals of existing contracts, which occur without any involvement by the customer, are not included in new business.

[4] Short-term loans for consumption and other purposes with an agreed maturity of up to one year include both overdrafts and credit card debt.

[5] 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.

[6] 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.

[7] The weighted average interest rate on new loans to NFCs, up to €1m, is often taken as a reasonably accurate proxy for the prevailing rate applicable to SME lending.

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 Community Credit Union Limited

17 December 2012

The Central Bank of Ireland (the "Central Bank") has entered into a Settlement Agreement with effect from 13 December 2012 with Community Credit Union Limited, a regulated financial service provider, (the "Firm") 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 €21,000 for its failure to comply with certain requirements of the CJA 2010, which is aimed at protecting the financial system from the risk of exposure to money laundering and terrorist financing.

Breaches

The breaches of the CJA 2010 identified are:

1. The Firm failed, for a period from 15 July 2010 (the date that the CJA 2010 came into force) until 29 November 2011, to adopt policies and procedures:

- to prevent and detect the commission of money laundering and terrorist financing;
- to specify to persons involved in the conduct of the Firm's business the Firm's relevant obligations under the CJA 2010, including in relation to (a) the assessment and management of risks of money laundering or terrorist financing and (b) internal controls, including internal reporting procedures;
- to monitor and manage compliance with, and the internal communication of, policies and procedures.

The above failures amounted to breaches of Sections 54(1) to 54(4) of the CJA 2010.

2. The Firm failed, to the extent reasonably warranted by the risk of money laundering or terrorist financing, from 15 July 2010 (the date the CJA 2010 came into force) until 29 November 2011, to monitor dealings with customers with whom it had a business relationship, including scrutinising transactions and the source of wealth or of funds for those transactions in accordance with Section 35(3) of the CJA 2010.

3. The Firm failed, from 15 July 2010 (the date the CJA 2010 came into force) until 29 November 2011, to take measures reasonably warranted by the risk of money laundering and terrorist financing to verify the identity of beneficial owners to the extent necessary to ensure that the Firm had on reasonable grounds satisfied itself as to who the beneficial owners were. This failure amounted to a breach of Section 33(2)(b)(i) of the CJA 2010.

4. The Firm failed, in breach of Section 42(1) and 42(2) of the CJA 2010, to report certain suspicions of money laundering or terrorist financing as soon as practicable.

5. The Firm failed from 15 July 2010 (the date the CJA 2010 came into force) until 6 December 2011 to (a) provide persons involved in the conduct of the Firm's business with instruction on the law relating to money laundering and terrorist financing and (b) on-going training on identifying a transaction or other activity related to money laundering and terrorist financing. These failures amounted to a breach of Section 54(6) of the CJA 2010.

Background

The Central Bank's Anti-Money Laundering and Counter Terrorist Financing Supervisory Unit identified these breaches during an inspection of the Firm conducted on 22 and 23 September 2011. Following this inspection, an examination was conducted by the Central Bank's Enforcement Division.

Sanctions decision factors

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

The Central Bank's examination identified the Firm's failure to take into account and implement the important legislative changes imposed by the CJA 2010.

The Central Bank takes particularly seriously the fact that the Firm failed to implement key legislative requirements relating to anti-money laundering and terrorist financing under the CJA 2010 until the Central Bank carried out an inspection of the Firm.

Notwithstanding the seriousness of the breaches, the Central Bank also took account of the following mitigating factors in deciding the appropriate penalty to impose:

- the Firm co-operated fully in the examination process and settled at an early stage in the administrative sanction procedure.

- the Firm has confirmed that it has now rectified the breaches in question and has provided documentation in support of this.
- the Firm has introduced procedures and controls to prevent future incidences of this nature.
- the overall circumstances together with the nature and services provided by the Firm.

The Central Bank confirms that the matter is now closed.

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

'This is the Central Bank's first administrative sanction against a credit union and the second administrative sanction of a firm for non-compliance with money laundering and terrorist financing laws which came into force in July 2010. This action arises from a program of inspections across all regulated sectors of the financial services industry to monitor firms' compliance with the CJA 2010.

Credit unions have an important role to play in the financial services sector, providing services to credit union members throughout the country and savings under management of almost €12bn. They therefore play an integral part in efforts to prevent the use of the financial system for the purposes of money laundering and terrorist financing.

The Central Bank expects all firms that are subject to its oversight to manage their business processes to ensure compliance with the CJA 2010 and be in a position to demonstrate their compliance with the requirements of this law. Furthermore, firms must also maintain awareness at board level of the need to continually review the appropriateness of their risk-based anti-money laundering and counter terrorist financing measures as business evolves.

The Registrar of Credit Unions – James O'Brien – has consistently expressed the need for a strong compliance culture to be embedded in the credit union sector. Credit unions must ensure full compliance with all legal and regulatory requirements in order to protect members' savings and ensure that they have systems and procedures that are fully compliant with the requirements of relevant legislation.

Firms are also reminded to review the Central Bank's "Dear CEO" letter dated 12 October 2012, which was issued to all Irish-regulated credit and financial institutions regarding compliance with the CJA 2010. As indicated in that letter, the Central Bank's program of inspections revealed a significantly lower level of compliance than expected.'

Central Bank Publishes New Research on the US Housing Market and Forecast Models

18 December 2012

The Central Bank of Ireland today (18 December 2012) published two Research Technical Papers.

‘Supply, Demand and Prices in the US Housing Market’ [1] (Research Technical Paper, 08/RT/12) is joint research with University College Dublin which uses US data to examine the relationship between house prices and the supply of homes for sale. It has been widely conjectured that the ‘glut’ of houses for sale is likely to be a factor continuing to depress house prices for some time. The model results indicate the presence of a particularly strong relationship between the change in house prices and month’s supply of new homes. The analysis indicates that the supply of new homes provides a good summary measure of price pressures in the housing market after controlling for other factors.[2]

The second paper ‘Real-time forecasting in a data-rich environment’ (Research Technical Paper 07/RT/12) evaluates the ability of different models to forecast key US real and nominal monthly macroeconomic variables in a data-rich environment from the perspective of a real-time forecaster. The study found that for the real variables, predictability is confined over the recent recession/crisis period. The results for inflation are stable across time, but predictability but predictability is mainly found at the very short-term horizons. The results show that the forecasting gains at these short horizons stem mainly from exploiting timely information.

[1] The paper forms the first chapter of Thomas Conefrey’s PhD thesis. The work was completed by Thomas Conefrey, economist, Central Bank of Ireland and his PhD supervisor, Professor Karl Whelan, Department of Economics, UCD.

[2] The Central Bank of Ireland will host a conference “How to fix distressed property markets” on February 13th, 2013.

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

Central Bank Publishes Consultation Paper on Fitness and Probity Regime for Credit Unions

18 December 2012

The Central Bank of Ireland has today published a consultation paper on the fitness and probity regime for credit unions. This consultation takes into account the recommendations of the Report of the Commission on Credit Unions. The regime will focus on improving governance standards at board and management level within credit unions and will be introduced on a phased basis, with transitional arrangements. It is expected that the first requirements will come into effect on 1 July 2013.

Interested parties are asked to comment on the public consultation by 1 March 2013. Responses to submissions received will be published on www.centralbank.ie.

Any queries in relation to this consultation paper should be directed to the Registrar of Credit Unions Division at e-mail rcuconsultation@centralbank.ie.

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

Central Bank Publishes New Economic Letter on Irish Inflation During the Financial Crisis

19 December 2012

The Central Bank of Ireland today publishes a new Economic Letter “Explaining Irish Inflation during the Financial Crisis” (Economic Letter Vol 2012 No. 12).

The recent financial crisis resulted in a steep contraction in the domestic economy together with a sharp decline in inflation. The deflation witnessed in Ireland is greater in magnitude and length than the other countries.

The research examines the Phillips Curve model of inflation, which predicts a relationship between economic slack, i.e. the degree to which economic factors are being utilised, and the inflation rate. The model argues that inflation should be negatively related to economic performance and this would seem to be a potential explanation of the behaviour of Irish inflation during the financial crisis.

The Phillips Curve has been criticised as an inappropriate model of inflation for Ireland as the Irish economy is a very open and this research formally assesses what role domestic economic activity has on inflation in Ireland.

However, the research concludes that these results provide support for the idea that inflation is not purely determined by external factors in Ireland. There is a role for the domestic economy to play in terms of understanding inflation, particularly during recessions.

The Central Bank has also published the Research Technical Papers “Explaining Irish Inflation during the Financial Crisis” related to the Economic Letter and “Sovereign default and macroeconomic tipping points”

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

19 December 2012

The Central Bank of Ireland (the "Central Bank") has entered into a Settlement Agreement with effect from 17 December 2012 with Aviva Life & Pensions Ireland Limited (the "Firm"), a regulated financial services provider, in relation to breaches of Regulation 10(3) of the European Communities (Life Assurance) Framework Regulations 1994, as amended (the "Regulations"). The Central Bank had regard to the Guidelines for Insurance Undertakings on Asset Management in assessing the Firm's compliance with Regulation 10(3) of the Regulations.

Reprimand and fine

The Central Bank reprimanded the Firm and required it to pay a monetary penalty of €1,225,000.

Breaches

The breaches identified are that certain of the Firm's administrative procedures and internal control mechanisms were not adequate in respect of its stock lending activity in contravention of Regulation 10(3) of the Regulations, as follows:

- the Firm failed to adopt an adequate investment policy or adequate investment objectives for stock lending;
- the Firm failed to impose sufficient parameters for stock lending on its investment managers; the Firm failed to ensure that there were in place adequate reporting and internal control systems designed to monitor that stock lending was being managed in accordance with an adequate investment policy and investment mandate(s);
- the Firm failed to monitor the performance of the investment managers in relation to stock lending adequately against Board approved policies and procedures;
- the Firm failed to have adequate systems of internal control present to ensure that its stock lending investment activities were properly supervised;
- the Firm failed to review its investment policies on an annual basis; and
- the Firm did not set risk limits in respect of stock lending, and did not receive regular information from its risk management function on asset exposures and the associated risks.

Background

The Central Bank's Insurance Directorate conducted a survey into the use of liquidity swaps among high and medium high impact insurance undertakings. As a result of information gathered during the survey and a further information gathering exercise, the Central Bank carried out an inspection of the Firm's use of liquidity swaps. As a result of information gathered during this inspection, the Central Bank became aware of the details of the Firm's stock lending activity and discovered these breaches. The Firm's stock lending activity was performed by an investment manager within the Aviva group pursuant to an investment management agreement.

The Firm's stock lending

Failure in adopting an adequate investment policy or adequate investment objectives and failure to impose sufficient parameters on its investment managers

1. In November 2000, the Firm entered into an Investment Management Agreement ('the IMA'), with Hibernian Investment Managers Limited (currently known as Aviva Investors Ireland Limited ('AIIL')), a member of the Aviva Group.

2. Following an amendment to the IMA in 2002, AIIL entered into a further outsourcing contract with another of the Aviva Group companies, Morley Fund Management Limited (currently known as Aviva Investors Global Services Limited ('AIGSL')) for the performance of stock lending activities.

3. The Firm failed to adopt an adequate investment policy or adequate investment objectives in relation to stock lending. The Firm also failed to impose sufficient parameters for the performance of the stock lending activities on its Investment Manager, AIIL.

4. The Firm updated its investment policy in 2009. Again, the Firm failed to impose sufficient parameters on AIIL in relation to stock lending. This investment policy remained in place from 2009 until 2012.

5. In June 2010, a novation occurred and the rights of AIIL under the IMA transferred to AIGSL, and AIGSL continued to perform stock lending on behalf of the Firm.

Failures in monitoring and control

6. From September 2003 until August 2009, the Firm's Investment Committee received stock lending revenue information on a monthly basis from AIIL.

7. Then, from September 2009 until October 2011, the Firm's Investment Committee received stock lending revenue information and received misstated stock lending exposure information from AIIL and subsequently AIGSL. Information on revenues and exposures was inadequate to allow the Firm to properly monitor and control stock lending activity carried out under the IMA on its behalf.

Failures to identify incorrect information

8. During the period September 2009 to October 2011, the Firm's Investment Committee received misstated stock lending exposure information from AIIL and subsequently AIGSL. On average, this information was understated by a factor of 30. The inclusion of the misstated figures arose because the reports identified the information on the basis of average rather than total exposures. The Firm failed to ensure that it had adequate systems of internal control present to detect the misstatement in its stock lending exposures.

Failure to review the adequacy of the investment policy

9. The Firm did not review the adequacy of its overall investment policy in 2010 and 2011.

Failure in the risk management function

10. Finally, from 1 August 2004 until January 2012 the Firm did not set risk limits in respect of stock lending, and did not receive regular information from its risk management function on asset exposures and the associated risks in respect of stock lending.

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 regulatory requirements which are designed to ensure the protection of life assurance policyholders.

This case evidences serious inadequacies in the Firm's systems and controls in relation to stock lending.

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

- the Board of the Firm decided to cease stock lending upon becoming aware of the issues identified above and have committed to implementing a variety of new internal controls and risk limits in order to improve governance should it recommence stock lending; and
- the new Board and 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's Fiona Muldoon, Director of Credit Institutions and Insurance Supervision and Peter Oakes, Director of Enforcement, issued a joint comment stating.

"Where a firm outsources investment activity, it must ensure that it has adequate investment policies, procedures and quantitative parameters to manage that investment activity in a way that is appropriate to the firm's balance sheet, and that it has sufficient information to allow it to properly

monitor and control that activity. It is inadequate and unacceptable for firms to rely on group controls or group limits. The Central Bank reminds firms that they remain responsible for all regulatory obligations notwithstanding any reliance upon group controls or group limits.

The pursuit of enforcement actions in respect of systems and controls failings is a Central Bank Enforcement Priority for 2012. 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.

Settlement Agreement between the Central Bank of Ireland and Aviva Insurance Europe SE

19 December 2012

The Central Bank of Ireland (the "Central Bank") has entered into a Settlement Agreement with effect from 17 December 2012 with Aviva Insurance Europe SE (the "Firm"), a regulated financial services provider, in relation to breaches of Regulation 10(3) of the European Communities (Non-Life Insurance) Framework Regulations 1994, as amended (the "Regulations"). The Central Bank had regard to the Guidelines for Insurance Undertakings on Asset Management in assessing the Firm's compliance with Regulation 10(3) of the Regulations.

Reprimand and fine

The Central Bank reprimanded the Firm and required it to pay a monetary penalty of €1,225,000.

Breaches

The breaches identified are that certain of the Firm's administrative procedures and internal control mechanisms were not adequate in respect of its stock lending activity in contravention of Regulation 10(3) of the Regulations, as follows:

- the Firm failed to adopt an adequate investment policy or adequate investment objectives for stock lending;
- the Firm failed to impose sufficient parameters for stock lending on its investment managers;
- the Firm failed to ensure that there were in place adequate reporting and internal control systems designed to monitor that stock lending was being managed in accordance with an adequate investment policy and investment mandate(s);
- the Firm failed to monitor the performance of the investment managers adequately in relation to stock lending against Board approved policies and procedures;
- the Firm failed to review its investment policies on an annual basis; and
- the Firm did not set risk limits in respect of stock lending, and did not receive regular information from its risk management function on asset exposures and the associated risks.

Background

The Central Bank's Insurance Directorate conducted a survey into the use of liquidity swaps among high and medium high impact insurance undertakings. As a result of information gathered during the survey and a further information gathering exercise, the Central Bank carried out an inspection of the Firm's use of liquidity swaps. As a result of information gathered during this inspection, the Central Bank became aware of the details of the Firm's stock lending activity and discovered these breaches. The Firm's stock lending activity was performed by an investment manager within the Aviva group pursuant to an investment management agreement.

The Firm's stock lending

Failure in adopting an adequate investment policy or adequate investment objectives and failure to impose sufficient parameters on its investment managers

1. In November 2000, the Firm entered into an Investment Management Agreement ('the IMA'), with Hibernian Investment Managers Limited (currently known as Aviva Investors Ireland Limited ('AIIL')), a member of the Aviva Group.

2. Following an amendment to the IMA in 2002, AIIL entered into a further outsourcing contract with another of the Aviva Group companies, Morley Fund Management Limited (currently known as Aviva Investors Global Services Limited ('AIGSL')) for the performance of stock lending activities.

3. The Firm failed to adopt an adequate investment policy or adequate investment objectives in relation to stock lending. The Firm also failed to impose sufficient parameters for the performance of the stock lending activities on its Investment Manager, AIIL.

4. In June 2010, a novation occurred and the rights of AIIL under the IMA transferred to AIGSL, and AIGSL continued to perform stock lending on behalf of the Firm.

Failures in monitoring and control

5. During the period from July 2005 until December 2011, the Firm received a management information report on a monthly basis from AIIL and AIGSL subsequently. The Firm's Investment Committee did not receive these monthly management information reports. The management information reports were silent on whether the stock lending was conducted in accordance with the terms of the IMA, or any investment policy. The Firm failed to properly monitor and control stock lending activity carried out under the IMA on its behalf.

Failure to review the adequacy of the investment policy

6. The Firm did not review the adequacy of its overall investment policy in 2010 and 2011.

Failure in the risk management function

7. Finally, from 1 August 2004 until January 2012 the Firm did not set risk limits in respect of stock lending, and did not receive regular information from

its risk management function on asset exposures and the associated risks in respect of stock lending.

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 regulatory requirements which are designed to ensure that assets are properly managed.

This case evidences serious inadequacies in the Firm's systems and controls in relation to stock lending.

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

- the Board of the Firm decided to cease stock lending upon becoming aware of the issues identified above and have committed to implementing a variety of new internal controls and risk limits in order to improve governance should it recommence stock lending; and
- the new Board and 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's Fiona Muldoon, Director of Credit Institutions and Insurance Supervision and Peter Oakes, Director of Enforcement, issued a joint comment stating:

"Where a firm outsources investment activity, it must ensure that it has adequate investment policies, procedures and quantitative parameters to manage that investment activity in a way that is appropriate to the firm's balance sheet, and that it has sufficient information to allow it to properly monitor and control that activity. It is inadequate and unacceptable for firms to rely on group controls or group limits. The Central Bank reminds firms that they remain responsible for all regulatory obligations notwithstanding any reliance upon group controls or group limits.

The pursuit of enforcement actions in respect of systems and controls failings is a Central Bank Enforcement Priority for 2012. 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."

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The Domestic Irish Banks' Consolidated Foreign Claims

20 December 2012

Domestic Banks' Foreign Claims decreased by 5.3 per cent to €120 billion at end Q3-2012

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. The dataset used is similar in methodology to the Consolidated Banking Statistics published by the Bank for International Settlements (BIS), but differs in coverage, as it refers only to the domestic Irish banks[1].

At end-September 2012, the domestic banks had foreign claims of €120 billion, reflecting a decrease of €6.8 billion over the quarter. The decrease was driven by a decline in claims on foreign private sectors, which fell by €3 billion (3.1 per cent) over the quarter. The domestic banks' claims on foreign credit institutions and public sectors also fell during Q3, by €2.5 billion (15.5 per cent) and €1.3 billion (9.1 per cent) respectively. Claims on foreign private sectors are predominant, accounting for approximately 78 per cent of total foreign claims at end-September, while claims on foreign public sectors are relatively low. The decline over the quarter means that the domestic banks' foreign claims have decreased by almost 23 per cent since end-September 2011. The annual reduction in total foreign claims is expected, given that the domestic banking groups continue to downsize their operations abroad, including the disposal of overseas units.

Consistent with recent trends, the end-September 2012 data show that local claims[2], at €91 billion, were far greater than cross-border claims which stood at €29 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-September 2012, cross-border claims had declined by 38 per cent when compared to September 2011, while local claims had declined by 16 per cent.

The domestic banks' largest foreign claims are on the United Kingdom (including Northern Ireland), with exposures of €89 billion located there at end-September 2012. Foreign claims on the UK decreased by 5.8 per cent over the quarter. Claims on the UK private sector decreased by 2.5 per cent, while claims on the UK public sector and UK credit institutions decreased by 12.9 per cent and 33.1 per cent, respectively, over the quarter. 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.

The outstanding amount of foreign claims on the US declined by 6.5 per cent during Q3 2012. This was driven by decreases in claims by domestic banks on the US private and public sectors. Claims on the private sector, which account for approximately 68 per cent of US claims, fell by 10.2 per cent during the quarter. Local claims on the US increased by 6.6 per cent during the quarter, while cross-border claims decreased by 15 per cent.

France, Spain and Germany continue to hold a sizeable share of the foreign claims, although they declined by a collective €247 million over the quarter. Claims on the Isle of Man decreased by €398 million over the same period. However, it remains the fifth largest in terms of foreign claims at end-September 2012.

At end-September 2012, 78 per cent of foreign claims were on the non-bank private sector, having increased from 76 per cent at end-June. Foreign claims on the private sector fell during the quarter by 3.1 per cent, while claims on credit institutions and the public sector decreased by 15.5 per cent and 9.1 per cent, respectively. Credit institutions accounted for 11.4 per cent of foreign claims at end-September 2012, while the public sector accounted for 10.5 per cent.

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 September 2012. Credit commitments and guarantees declined by €32 million and €453 million respectively, while derivatives increased by €165 million. 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.

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Central Bank of Ireland

Eurosystem