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Press Releases

July – December 2014

Central Bank of Ireland – Press Releases Archive July-December 2014

Central Bank Data on Financial Vehicle Corporations in Q1 2014

1 July 2014

Overview

Total FVC assets values reported in Q1 2014 increased to €421.9 billion, which was entirely driven by valuation changes and re-classifications within NAMA vehicles. Transactions were negative for the fourth consecutive quarter. The number of reporting entities decreased over the quarter, the first fall since Q1 2013, due to an unwinding of a number of smaller FVC vehicles.

The value of total FVC assets increased by €3.4 billion to €421.9 billion in Q1 2014, while there was an outflow from transactions of €4.1 billion (Chart 1). Outflows were mainly as a result of repayment of deposits and loan claims between the NAMA vehicles, as NAMA sold a portion of their loan portfolio. Despite the increase in asset values, the number of reporting vehicles decreased from 715 in Q4 2013 to 708 in Q1 2014, the first fall in reporting numbers since Q1 2013 (Chart 2). This was driven by a fall in reporting numbers for multi-issuance, residential mortgage-backed and synthetic collateralised debt obligation type vehicles.

A new FVC reporting template was introduced for Q1 2014 in order to fulfill new European Central Bank FVC and Balance of Payment reporting requirements[2]. These requirements included greater original maturity, sector, and geographical breakdowns. FVC reporting agents used the updating of the FVC reporting form to make some re-classifications to the FVC data reported. This caused some movements between certain asset and liability classes, which can be seen in Table 1.

The quarter on quarter changes between Q4 2013 and Q1 2014 were largely as a result of these reclassifications.

- There was a reclassification of €14.5 billion from securitised loans originated by non-euro area residents to securitised loans originated by euro area residents, reflecting better information on the issuer sector.
- There were also reclassifications between the following categories:
  - Securitised loans originated by euro-area MFIs
  - Securities other than shares
  - Other securitised assets
  - Shares and other equity
- Debt securities issued by FVCs with over two years original maturity of €33.7 billion were re-classified between debt securities issued of up to one year original maturity and loans and deposits received.

Euro area FVCs asset values declined by €39 billion in Q1 2014, the ninth consecutive quarterly decline recorded. Euro-area transactions were mainly driven by outflows of €30 billion from securitised loans as debt securities issued were re-paid. Ireland's share of euro area assets increased from 21.9 per cent in Q4 2013 to 22.4 per cent this quarter.

Notes to Editors:

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

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

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

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

[1] Definitions of an FVC and 'securitisation' can be found on page 4 – in Notes to Editors.

[2] Regulation EC No. 24/2009 of the ECB and Guideline ECB/2011/23.

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

Investment Funds Statistics: Q1 2014

1 July 2014

Overview

Investment Funds continued to expand strongly in Q1 2014

- The net asset value of investment Funds resident in Ireland (IFs) expanded by over 4 per cent in Q1 2014, rising to €1,115 billion from €1,070 billion at the end of 2013;
- The IF industry has more than trebled in size since Q2 2009 on a net asset value basis;
- The performance in Q1 2014 was largely driven by investor inflows into IFs, which amounted to €26 billion. Assets held by IFs also rose in value by €12 billion, driven by debt security prices;
- Investor inflows to IFs were broadly based across most fund types, with equity funds benefiting from strong inflows of €7 billion, despite relative weakness in global equity prices;
- IF portfolio allocations were weighted towards higher yielding debt securities in Q1 2014, predominately UK private sector debt and to a lesser extent euro area peripheral debt;
- Broadly speaking, the outflows from euro area peripheral debt sect securities that occurred during the euro area debt crisis have been unwound.

Investment Funds resident in Ireland (IFs) expanded strongly once again in Q1 2014 and have more than trebled in size since Q2 2009. The net asset value of IFs amounted to €1,115 billion in Q1 2014, a 4 per cent increase from €1,070 billion at the end of 2013 and compared to €357 billion in Q2 2009. Net transactions inflows from investors were particularly strong in Q1 2014, amounting to €25.7 billion. All fund types benefitted from substantial inflows though, in percentage terms, inflows to hedge funds were strongest, at 3.5 per cent. There were strong inflows of around €7 billion into equity funds in Q1, despite equity prices performing weakly when compared to debt security prices. The assets held by IFs rose in value by €11.7 billion in Q1 2014, driven by positive revaluations in debt security holdings.

IF portfolio allocations illustrated a preference for higher yielding debt securities in Q1 2014, reflecting the broader pattern in global markets and some rebalancing towards European debt securities. In overall terms, IFs increased their debt security holdings by €15.6 billion compared to €8.1 billion in additional investment in equities, in terms of net transactions. Within debt securities, however, there was a distinct preference for higher yielding securities, with portfolio allocations concentrated in debt securities issued by the European private sector, in particular the UK. There was also strong investment in UK government debt and increased interest in euro area peripheral government debt. As shown in the table below, holdings of German government debt rose relatively weakly, while US Treasury holdings actually declined. Holdings of Spanish and Italian debt have now surpassed their levels before the euro area debt crisis.

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

Central Bank Announces Appointment of Director of Insurance Supervision

3 July 2014

The Central Bank of Ireland has today announced the appointment of Sylvia Cronin as the Director of Insurance Supervision. It is expected she will take up her position later in the year.

Announcing the appointment, Deputy Governor Cyril Roux said: 'I am pleased to confirm the appointment of Sylvia as the new Director of Insurance Supervision. She joins the Central Bank at an important time for insurance regulation with the forthcoming implementation of Solvency II. Sylvia will assume responsibility for the prudential oversight of all general insurance, life insurance and reinsurance companies regulated by the Central Bank. Both General Insurance and Life Insurance divisions will report to her.'

Sylvia has spent the majority of her career working in the insurance industry most recently as the Chief Executive of Augura Life Ireland Ltd., a position she has held since 2010. Previously Sylvia was the Chief Executive of MGM International Assurance Ltd. and spent several years with the AXA Group where she was head of Business Development, Services and Marketing in Ireland. She started her insurance career with the Fortis Group where her focus was on IT Management.

Sylvia holds a Masters in Business Administration from DIT and in 2010 was admitted as a Chartered Director to the Institute of Directors in London.

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

4 July 2014

Anne Marie McKiernan has been appointed Registrar of Credit Unions in the Central Bank of Ireland. Ms McKiernan is currently Head of Risk in the Central Bank. She will be responsible for regulation and supervision of the credit union sector in Ireland and succeeds the current registrar Sharon Donnery who was appointed Director of Credit Institutions in March 2014.

Ms McKiernan will take up her new position on 1 September 2014.

Announcing the appointment, Director of Credit Institutions Sharon Donnery said: 'I am delighted to announce the appointment of Anne Marie McKiernan as Registrar of Credit Unions. Anne Marie brings a broad range of financial system knowledge and experience to the position along with a strong risk, assurance and economics background.'

Anne Marie joined the Central Bank in 1994 as an economist and her roles included monetary and financial stability policy and international economic analysis. She has held a number of management positions in the Central Bank and has been in her current role for almost four years, where she was responsible for the set-up of the Risk Division, which develops and implements policy and risk frameworks for the Central Bank's collateralised lending, investment portfolios and financial buffers, and its operational risk and business continuity functions. Prior to that, she oversaw the integration of the Financial Regulator into the Central Bank in 2010 and the development of legislation to enhance financial regulation.

Anne Marie is a member of the European Central Bank's Risk Management Committee, and a number of high level Central Bank committees, including the Financial Stability Committee and Executive Risk Committee.

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

Holders of Irish Government Bonds - May 2014

9 July 2014

Key Developments:

- The nominal value outstanding of government bonds at end May 2014, remained broadly unchanged standing at €113,216 million.
- Residents held 47.4 per cent of Irish government bonds with credit institutions and the Central Bank of Ireland accounting for 92 per cent of these holdings.

Outstanding government bonds[1] stood at €113,216 million in May 2014, with 10.9 per cent due to mature in less than three years. At end-May 2014, resident holders held 47.4 per cent of long-term Irish government bonds. Resident credit institutions and the Central Bank of Ireland, account for 92 per cent of resident holdings.

The resident non-bank financial sector reported holdings of €2,727 million in May 2014 of which 43 per cent was held by other financial intermediaries and the balance by insurance corporations and pension funds[2].

Approximately 25 per cent of all resident holdings will mature within the next 5 years. Furthermore, 29 per cent (or €17.5 billion) of long-term bonds held by non-resident investors will mature from 2023 onwards.

Note to Editors:

This data series was published for the first time in February 2014. The new series is based on different source information, so it is not directly comparable with previous publications. Care should, therefore, be exercised in comparing the new series with earlier publications.

This has arisen due to the introduction of the Securities Holdings Regulation by the ECB in December 2013. The dataset is compiled from data submitted by all custodians resident in Ireland, direct reporting by end investors and information from the Government Bond Register held by the Central Bank to provide breakdowns by maturity and by holding sector.

[1] Please see background information below and the explanatory notes for further information

[2] This figure only includes those holdings held by Irish resident custodians on behalf of insurance companies or pension funds.

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

Security Issue Statistics – May 2014

10 July 2014

Trends in Market-based Financing of all Irish-resident Entities

- The outstanding amount of debt securities issued by Irish firms, and by the Government sector was €860.7 billion at end-May 2014, a decrease of 5 per cent year-on-year. The outstanding amount of debt securities issued by euro area residents also decreased by 0.7 per cent.
- Market-based debt financing for the banking sector stood at €70.9 billion in May 2014, a decrease of 5 per cent year-on-year.
- Equity shares had an outstanding value of almost €293.7 billion at end-May. Quoted shares (€293.3 billion), which are predominant in the equity category, saw a year-on-year increase of 27 per cent. Likewise, the value of the stock of quoted shares issued by euro area residents increased by 22 per cent.

Banking Sector

Market-based debt financing for the banking sector increased by €160 million in May 2014 (compared to an increase of almost €400 billion in April). This increase reflected net issuance of long-term debt securities.

€27.1 billion (or 38 per cent) of the total debt securities issued by the banking sector will fall due within the next 12 months.

Since May 2013, the outstanding amount of debt securities for the banking sector has decreased by 5 per cent to €70.9 billion with short-term debt contracting by 21 per cent (Chart 1 and 2). Over the past 12 months, the total outstanding amount of debt securities for this sector across the euro area also decreased by 7 per cent. This reflects continuing deleveraging in the banking sector.

The market value of equity securities in the banking sector saw a year-on year increase of 20 per cent[1] to €21.4 billion (Chart 3). This increase is primarily as a result of valuation changes.

Non-Financial Corporations

The outstanding amount of debt securities issued by non-financial corporations (NFC) increased to almost €8.8 billion in May 2014 (Table 1).

Approximately €1.2 billion (or 14 per cent) of the total debt securities issued by NFCs will fall due within the next 12 months.

In May 2014, the value of the quoted shares issued by the NFC sector increased to €246 billion. This represented a year-on-year increase of 24 per cent (Chart 4). The annual percentage change in market capitalisation for NFCs in the euro area was approximately 20 per cent.

[1] As per compilation methodology utilised by the Central Bank of Ireland

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

Central Bank of Ireland Issues Warning on Unauthorised Investment Firm

11 July 2014

The Central Bank of Ireland today published the name of an unauthorised investment firm, Clarion Equity Management (Japan). Clarion Equity Management (Japan) is not authorised as an investment firm by the Central Bank.

It is a criminal offence for an unauthorised person or firm to provide financial services in Ireland that would require an authorisation under the relevant legislation for which the Central Bank is the responsible body for enforcing. Consumers should be aware that if they deal with a person or 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 persons or firms may telephone (01) 224 4000. This line is also available to the public to check if a person or firm is authorised. Since obtaining the necessary legal powers in August 1998, the names of 229 unauthorised persons or firms have been published by the Central Bank.

Notes to editors

The name of the above firm is published under the Central Bank (Supervision and Enforcement) Act 2013.

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

Central Bank of Ireland Issues Warning on Unauthorised Investment Firm

10 July 2014

The Central Bank of Ireland today (10 July 2014) published the name of an unauthorised investment firm, Brock Hartwick (UK). Brock Hartwick (UK) is not authorised as an investment firm by the Central Bank.

It is a criminal offence for an unauthorised person or firm to provide financial services in Ireland that would require an authorisation under the relevant legislation for which the Central Bank is the responsible body for enforcing. Consumers should be aware that if they deal with a person or 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 persons or firms may telephone (01) 224 4000. This line is also available to the public to check if a person or firm is authorised. Since obtaining the necessary legal powers in August 1998, the names of 228 unauthorised persons or firms have been published by the Central Bank.

Notes to editors

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Central Bank Publishes Findings of Review of Compliance with the Advertising Requirements of the Consumer Credit Regulations

14 July 2014

The Central Bank of Ireland today (14 July 2014) reports on the findings of its Review of the banking, moneylending and credit union sectors' compliance with the Advertising Requirements of the European Communities (Consumer Credit Agreements) Regulations 2010 (the CCR)[1]. The Central Bank examined print, television, radio and online advertisements that were in circulation from November 2013 to March 2014 in a sample of 23 firms[2].

The Review found that overall approximately 30% of 291 advertisements did not contain all relevant information or display the information in a clear, concise and prominent way by means of a representative example as set out in the CCR. Non-compliance was more frequent in the sample of credit unions reviewed where only one-third of advertisements met the CCR requirements, compared to 99% and 88% compliance rates for the sample of banks and moneylenders respectively.

Director of Consumer Protection, Bernard Sheridan, said "Consumers must be confident that financial products and services, including loans, are advertised and marketed in a way that is clear, fair and not misleading. This is why advertising monitoring plays such an important role in our consumer protection work. The CCR has been put in place to protect consumers who borrow money from firms, and all firms are required to have the appropriate arrangements in place to ensure compliance with them."

The Central Bank has written to all the firms in each sector highlighting the findings of the Review. Where issues have been identified, firms have been asked to withdraw and amend the advertisements to ensure that they meet with the requirements of the CCR. Further regulatory action may be considered where the issues are not dealt with satisfactorily.

In addition to this specific Review, the Central Bank regularly reviews regulated firms' compliance with the Advertising Requirements of the Consumer Protection Code 2012. During 2013, we investigated 182 general advertising issues. 154 advertisements were either withdrawn or amended (26 of which were withdrawn immediately), while no further action was deemed necessary on the remaining 28. The Central Bank will continue to monitor advertisements for compliance with various regulatory requirements, to ensure that they work in the best interests of consumers.

Should a consumer feel that any regulated firms' advertisement or promotion (this includes TV, radio, print, online, buses, flyers etc.) is unclear, inaccurate or misleading, they can report the advertisement to the Advertising Unit in the Central Bank at advertising@centralbank.ie

Further information: Press Office 01 224 6299, press@centralbank.ie

Notes for editors:

About the firms and the advertisements selected

The Review examined the advertisements of 5 banks, 4 moneylenders and 14 credit unions.

Firms were selected based on their market share, risk impact rating and/or likelihood to use advertising to promote credit agreements to their customers.

Of the 291 advertisements reviewed, approximately 50% related to websites, online and social media and customer communications, 26% related to newspapers and 24% related to billboards, brochures, radio and catalogues.

About the CCR requirements that were reviewed

Part 2 Section 7 of the CCR requires that 'Any advertising concerning credit agreements that indicates an interest rate or any figures relating to the cost of the credit to the consumer shall include standard information in accordance with this Regulation. The standard information shall specify *in a clear, concise and prominent way by means of a representative example;*

1. the borrowing rate, fixed or variable or both, together with particulars of any charges included in the total cost of the credit to the consumer;
2. the total amount of credit;
3. subject to paragraph (3), the annual percentage rate of charge;
4. if applicable, the duration of the credit agreement;
5. in relation to credit in the form of deferred payment for a specific good or service, the cash price and the amount of any advance payment; and
6. if applicable, the total amount payable by the consumer and the amount of the instalments'.

About the Advertising Unit

The Advertising Unit in the Central Bank reviews advertisements of regulated firms for compliance with various regulatory requirements, including the Consumer Protection Code 2012, the Consumer Credit Act, 1995, the Consumer Credit Regulations, European Communities (Markets in Financial Instruments) Regulations 2007 (MiFID) and the Consumer Protection Code for Licensed Moneylenders, 2009.

Other Advertising Requirements

The Central Bank of Ireland's Consumer Protection Code 2012 includes specific requirements regarding advertising. To further assist firms in raising advertising standards, the Bank issued Guidance on the Advertising Requirements of the Consumer Protection Code in October 2013. The guidance was a culmination of an extensive review of issues arising from our advertising monitoring function. In addition, we engaged with key consumer and industry groups and fellow regulators. We also researched consumer attitudes towards financial services advertising and consulted with our Consumer Advisory Group.

[1] See notes for editors for Part 2, Section 7 of the CCR

[2] See notes for editors for sectoral breakdown

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

FinCoNet Publishes its Report on Responsible Lending

FinCoNet, the International Financial Consumer Protection Organisation, today (15 July 2014) published its report outlining key findings and good practices on Responsible Lending – a Review of Supervisory Tools for Consumer Lending Practices. The report is based on an international survey of 20 jurisdictions and representative bodies, and identifies practices and initiatives to promote responsible lending in the consumer credit market.

Bernard Sheridan, Chair of FinCoNet and Director of Consumer Protection with the Central Bank of Ireland said: "Supervisory authorities can play a very important role in protecting the interests of consumers, particularly in the area of responsible lending. While responsible lending obligations and approaches have developed significantly over the past ten years, nonetheless, the global financial crisis has drawn attention to the importance of financial consumer protection, particularly responsible lending, as a component of a stable financial system.

We would encourage all supervisory authorities to consider the findings of this report and application of the good practice observations. FinCoNet will continue to collaborate with international organisations and provide supervisory authorities with a global platform to share best practices, experiences and lessons while promoting fair and transparent market practice. FinCoNet is open to new members and I would encourage supervisory authorities to consider joining the organisation by contacting the Chair's office at finconet@centralbank.ie."

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

Central Bank of Ireland Issues Warning on Unauthorised Investment Firm

16 July 2014

The Central Bank of Ireland today published the name of an unauthorised investment firm, Hopler Global Investment Group (Hong Kong). Hopler Global Investment Group (Hong Kong) is not authorised as an investment firm by the Central Bank.

It is a criminal offence for an unauthorised person or firm to provide financial services in Ireland that would require an authorisation under the relevant legislation for which the Central Bank is the responsible body for enforcing. Consumers should be aware that if they deal with a person or 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 persons or firms may telephone (01) 224 4000. This line is also available to the public to check if a person or firm is authorised. Since obtaining the necessary legal powers in August 1998, the names of 230 unauthorised persons or firms have been published by the Central Bank.

Note to editors:

The name of the above firm is published under the Central Bank (Supervision and Enforcement) Act 2013.

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

New Research on Interest-Only Mortgages in Ireland

16 July 2014

The Central Bank of Ireland today publishes a new Economic Letter on 'Interest-only mortgages in Ireland' (Economic Letter Vol. 2014 no. 5).

The research analyses the loan characteristics, including loan performance, of mortgages originated on interest-only terms in Ireland.

The main findings of the research are:

- While interest-only arrangements have been widely used as a means of temporary forbearance to deal with the current mortgage arrears crisis, mortgages were also originated on interest-only terms during the height of the boom.
- Between 2005 and 2008, interest-only mortgages were mainly issued to buy-to-let investors on tracker mortgages and at high loan-to-value ratios.
- Interest-only mortgages were more likely to be issued to buy-to-let borrowers in Dublin and for the purchase of apartments than standard mortgages. The arrears rates on these mortgages are higher than standard mortgages.
- A significant number of interest-only mortgages are due to revert to principal-and-interest repayments in the next 2 years. The resulting higher repayments for these borrowers could lead to an increase in mortgage arrears.
- 44 per cent of the buy-to-let interest only borrowers will be beyond retirement age when their loans are due to start principal-and-interest repayments. However there are 14 years on average until these borrowers retire, allowing them substantial time to establish strategies to cope with the additional repayments.

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

EBA Opinion on Virtual Currencies

On 4 July 2014 the European Banking Authority (EBA) published an opinion on virtual currencies, including Bitcoin.
European national supervisory authorities contributed to the production of the opinion and the Central Bank is involved in the EBA work in this area. The opinion describes the many risks that virtual currencies present to consumers, other market participants and to financial integrity. The EBA recommends that national supervisory authorities discourage credit institutions, payment institutions and e-money institutions from buying, holding or selling virtual currencies.

Consumers should note that virtual currencies remain unregulated, thus there remains no regulatory protections for consumers when holding, buying or selling virtual currencies.

ENDS

Note: The Central Bank also republished a warning from the EBA issued on 13 December 2013, warning consumers of the possible risks when dealing with virtual currencies including Bitcoin.

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

Central Bank Announces Appointment of Chief Economist

22 July 2014

The Central Bank of Ireland has today announced the appointment of Gabriel Fagan to the role of Chief Economist. He will take up his position on 1 October.

Welcoming his appointment, Deputy Governor, Stefan Gerlach, said: ‘I am delighted to announce the appointment of Gabriel Fagan to the role of Chief Economist. Gabriel brings a significant level of experience and expertise to the role and I look forward to working closely with him.’

He joins the Central Bank from the European Central Bank, where he held a number of key roles, most recently as Senior Advisor in the Directorate-General Research since 2011. He also previously headed up the Monetary Policy Research and Econometric Modelling Divisions.

He previously worked in the Central Bank, holding the position of economist up to 1992.

He holds degrees in economics from University College Dublin and Trinity College Dublin.

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

Central Bank of Ireland Issues Warning on Unauthorised Investment Firm

22 July 2014

The Central Bank of Ireland today (22 July 2014) published the name of an unauthorised investment firm, **Thüngen Financial (Luxembourg). Thüngen Financial (Luxembourg)** is not authorised as an investment firm by the Central Bank.

It is a criminal offence for an unauthorised person or firm to provide financial services in Ireland that would require an authorisation under the relevant legislation for which the Central Bank is the responsible body for enforcing. Consumers should be aware that if they deal with a person or 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 persons or firms may telephone (01) 224 4000. This line is also available to the public to check if a person or firm is authorised. Since obtaining the necessary legal powers in August 1998, the names of 241 unauthorised persons or firms have been published by the Central Bank.

Notes to editors

The name of the above firm is published under the Central Bank (Supervision and Enforcement) Act 2013.

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

Statement - Alternative Investment Fund Managers (AIFMs)

23 July 2014

As of close of business, 22 July 2014, the Central Bank has authorised 64 AIFMs. In addition, 35 AIFMs have been registered. In total, 99 AIFMS have the authority to operate within the state and the 64 authorised AIFMs also have the right to market themselves throughout the EU.

This follows a period of intense interaction between the Central Bank and AIFM applicants where the merits of each application were closely scrutinised.

As well as recognising the successful delivery by its own Authorisation Team, the Central Bank would like to thank industry practitioners for their co-operation and responsiveness against a background of a brand new regulatory regime for Alternative Investment Fund Managers.

A further 24 applications are largely complete but authorisation was not finalised because of the firms' own business needs. These may, in due course, be granted pursuant to Art 8(5) of 2011/61/EU.

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

Statement - Patrick Brady

23 July 2014

The Central Bank of Ireland announced today that Patrick Brady, Director of Policy & Risk, has resigned his position. He will remain with the Central Bank until 31 December 2014.

Governor Patrick Honohan said: ‘We are sorry to be losing Patrick Brady as Director of Policy & Risk and as a member of the senior leadership team later this year. Patrick joined the Central Bank in 2000 and has been a key member of the Central Bank's senior management team for the last four years. His contributions have been highly valued by me and the rest of the management team. We would like to wish him well in his future endeavours.’

Patrick will complete his current responsibilities on 31 July and from 1 August will step away from all activities that might give rise to potential conflicts of interest.

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

Central Bank Publishes Guidelines on Variable Remuneration for Sales Staff as Part of On-Going Engagement on Achieving a Consumer-Centred Sales Culture

25 July 2014

The Central Bank today (25 July 2014) published Guidelines on the Variable Remuneration Arrangements for Sales Staff following the completion of a cross-sectoral review of incentives payable to employees of banks, insurance companies and investment firms. The review was established to gauge the extent to which incentive arrangements were operated in the best interests of consumers in their design, management and monitoring.

The review examined the incentive arrangements to employees under the Consumer Protection Code 2012, and the Conflicts of Interest regulations applicable to investment firms under the Markets in Financial Instruments Directive ('MiFID').

Director of Consumer Protection, Bernard Sheridan said: "The Central Bank expects that, when firms remunerate sales staff on a variable basis, these arrangements focus on encouraging the right culture and behaviour in sales staff, while actively discouraging poor practices. It is important that remuneration arrangements are structured in such a way as to ensure that employees, individually and collectively, are acting in the best interests of their customers and providing suitable products which meet their needs. Therefore sales remuneration arrangements will remain an on-going priority for the Central Bank to ensure that culture and behaviours change accordingly."

The Central Bank will require all banking, insurance and investment firms to review and restructure their remuneration arrangements in light of these Guidelines. The Chair of each firm must confirm to the Central Bank that this has been completed in advance of the remuneration period commencing on 1 January 2015. The Central Bank is following up on all specific issues identified directly with investment firms and banks inspected, having already done so with insurance firms.

While all firms in the review had a process in place for the design and approval of incentive schemes, there was a failure to recognise the inherent risks in remuneration arrangements and to mitigate those risks accordingly. The key findings of the review included:

- A greater emphasis was placed on rewarding higher amounts of sales than achieving suitable consumer outcomes;
- bonus payments paid fully or largely on the achievement of sales volumes and targets, with little emphasis on the quality of sales to the consumer;

- limited use of penalties or deterrents against poor sales practices;
- widespread use of branch targets in the banking sector as a means of focusing on the bank's goals;
- incentives earned on an 'all or nothing' basis; and
- regular and robust sales quality monitoring not performed consistently.

Notes for editors:

About the review:

The review examined compliance with provisions 3.31, 3.32 and 3.35 of Consumer Protection Code 2012.

The review consisted of a detailed desk-based analysis of

- variable remuneration arrangements;
- remuneration policies & payments;
- conflicts of interest policies;
- gifts policies;
- product sales;
- complaints;
- client files; and
- a review of the associated sales quality monitoring process

15 firms – including banks, insurance companies and investment firms were subject to the review, with the scope limited to remuneration arrangements in 2012.

Following this, onsite inspections were conducted in 6 firms, consisting of interviews of key staff, including sales staff and Senior Management, involved in the design, review and monitoring of incentive schemes.

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

Central Bank Publishes Research on the Irish Reinsurance Industry and the Introduction of the Macroeconomic Imbalance Procedure

28 July 2014

The Central Bank of Ireland today publishes two signed articles from the Central Bank's Quarterly Bulletin for Q3 2014.

Reinsurance in Ireland: Development and Issues examines factors which encourage reinsurance companies to locate in Ireland and uses aggregated company-level data to examine the contribution of the reinsurance industry to the Irish economy. The article also considers the financial stability implications arising from the location of these companies in Ireland. The article shows potential implications on the industry from the introduction of Solvency II and growing competition from insurance-linked securities.

The key findings of the research are as follows:

- Ireland is a major centre for reinsurance services, with the second-highest number of reinsurance companies in Europe.
- The industry had total assets of €55 billion at end-2012, which corresponds to over 30 per cent of GDP. The size of the industry's assets is in contrast with the estimates of value added, which represented just 0.4 per cent of GDP in 2011.
- The number of employees in the industry is low, with just over 400 employees in Ireland in 2011.
- The solvency ratio, measured as the ratio of the available solvency margin relative to the required regulatory margin was shown to have strengthened since 2008.
- The recent low interest-rate environment has contributed towards the industry's search for higher-yielding assets. An analysis of its investments from 2008 to 2012 shows a movement towards lower grades of investments, while maintaining investment grade status.

Ireland and the Macroeconomic Imbalance Procedure (MIP) introduces the MIP, one of the central elements of the strengthened EU economic governance framework, and takes a close look at developments in Irish imbalances since the downturn.

The key findings of the research are as follows:

- The introduction of an EU-wide procedure focusing on macroeconomic surveillance is to be welcomed as it complements the Stability and Growth Pact and has the potential to prevent inconsistencies between economic and fiscal policies.

- It is crucial that there is strong implementation of both the preventive and corrective arms of the MIP to ensure it fulfils its objectives effectively.
- Had such a procedure existed in the 2000s, it would have resulted in more formal external surveillance of the Irish economy and placed increased attention on competitiveness, credit and house price developments.
- It is unclear whether a MIP would have helped reduce imbalances to sustainable levels before the downturn, given the performance of other EU governance measures of the time.
- Overall, Irish imbalances have reduced since the downturn and external imbalances are not currently a significant concern, given current account surpluses and favourable trends in competitiveness.
- Some internal imbalances will take time to unwind from their current high levels and, as a result, require ongoing monitoring. This includes imbalances which existed prior to the crisis (private sector debt) and those that emerged due to the downturn (unemployment, public debt).

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

Central Bank of Ireland Quarterly Bulletin Q3 2014

28 July 2014

The Central Bank of Ireland today published Quarterly Bulletin Q3 2014.

Comment

The updated picture provided by recent revisions to National Accounts data along with the initial estimates for the first quarter of 2014 suggest that the on-going recovery in economic activity is showing a somewhat stronger trend overall than previously signalled by national income and expenditure data. Largely as a result of an upward revision to net exports, GDP in 2013 is now estimated to have increased by 0.2 per cent, as compared to the earlier estimate of a 0.3 per cent contraction. The revisions for 2013 also include a significant change to the profile of quarterly GDP growth, with the initially reported large contraction in GDP in the fourth quarter of last year now revised away in the latest data. Allied to unexpectedly strong first quarter GDP growth, the National Accounts data now signal that the economy has a stronger growth momentum than previously estimated. This is consistent with the signals that have been emerging from a broad range of other indicators, particularly employment data, which have been pointing to a gradually strengthening recovery in economic activity for some time now.

The improved growth dynamic over recent quarters suggested by the National Accounts data is being driven, in large part, by a rebound in exports since late 2013. This would appear to reflect both some recovery in the output and exports of the pharmaceutical sector, suggesting that the impact of patent expiration on pharmaceutical exports may be easing, as well as the positive effect of an improving international economic environment. As against this, despite the on-going recovery in employment, consumer spending has remained subdued, with modest declines recorded in both the fourth quarter of 2013 and the first quarter of this year. However, more recent trends offer some encouragement, with retail sales data for the second quarter suggesting that consumer spending may be picking up.

Looking ahead, reflecting the strong performance of exports in the year to date, improving external demand conditions and some expected moderation in the impact of the patent cliff on pharmaceutical exports, the outlook for export growth has improved. On the domestic side, while some headwinds to recovery still remain, domestic demand broadly stabilised in 2013 and is projected to begin to make a positive contribution to growth this year. Further growth in employment should stimulate increases in household incomes and consumer confidence and, with what has been a lag, support modest growth in consumer spending. In addition, underlying investment spending, abstracting from the volatile aircraft component, has gathered significant momentum, which is expected to be maintained over the forecast horizon.

Taking account of these prospects, allied to the strength of the first quarter National Accounts data and the positive growth carryover from last year stemming from the revised quarterly profile of growth in 2013, the outlook for GDP growth for this year has been raised as compared to the forecasts published in the previous Bulletin. GDP growth of 2.5 per cent is now projected for this year, an upward revision of 0.5 per cent relative to the previous projection, while the forecast for GNP growth of 2.8 per cent is marginally higher. GDP growth of 3.3 per cent and GNP growth of 2.7 per cent are forecast for 2015, both of which are 0.1 per cent higher than the projections contained in the previous Bulletin. The 2015 growth projections are based on consensus assumptions from the main international institutions. Uncertainty attaches to these forecasts, however, and they remain sensitive to developments in the international and European economy.

Turning to policy issues, Ireland's smooth exit from the EU/IMF Programme over the past six months has been helped not only by the improving external environment and favourable financial market conditions, but also by the fact that Ireland has continued along the required path of consolidation and adjustment. Continuing to build on the achievements of recent years will be crucial in order to reduce vulnerabilities and ensure a sustainable return to steady growth.

With respect to the public finances, the impact of the revisions made to the National Accounts to date, which raise the size of nominal GDP, result mechanically in lower deficit-to-GDP and debt-to-GDP ratios, even at unchanged levels of deficit and debt in absolute terms (though it should be noted that some likely definitional changes related to the new international ESA 2010 classification impacting deficits and debt remain to be incorporated in the CSO's National Accounts). Exchequer data for the first half of 2014 has been favourable. Tax revenues have grown ahead of target, while expenditure has remained broadly on track. Should these trends continue over the second half of the year, the deficit is on course to come in below not only the EDP target of 5.1 per cent, but also the Budget 2014 target of 4.8 per cent of GDP.

To continue to demonstrate that Ireland remains on course for fiscal consolidation and to retain market confidence, the budgetary plans for 2015 need to meet agreed commitments. The priority, acknowledged by Government, remains to reduce the deficit-to-GDP ratio below 3 per cent in 2015. This is a high profile target that calls for special prudence in budgetary planning, ideally with an additional provision for some buffer to guard against adverse shocks.

A more favourable deficit out-turn this year would reduce the amount of consolidation required to deliver that outcome, though by how much cannot be known with greater certainty until later in the year. Beyond 2015, further consolidation will be needed to put debt firmly on a downward path and secure sustainability. In this regard, the objective of achieving structural budget balance by 2018 is appropriate.

In the banking sector, the operating environment has continued to improve as funding costs ease and bank profitability shows signs of recovering. The main issue, however, remains the need to ensure progress in dealing with the resolution of impaired loans, by placing them on a truly sustainable basis wherever possible. While the improvement has been gradual, there are clear signs that progress is being made. Using mortgage arrears resolution targets, the Central Bank has required the banks to accelerate the conclusion of sustainable long-term arrangements with customers in arrears. The most recent data indicate that long-term arrears have fallen for the second successive quarter, although there continues to be some migration of loans into the very long-term arrears category. In too many cases, though, the Central Banks target has been satisfied only by the commencement of legal proceedings where sufficient bankborrower co-operation has not been achieved: in such cases failure to co-operate with the lender presents a real risk of proceedings ending up in a worse outcome for the borrower as well as the lender.

The Central Bank is also monitoring the progress of banks in resolving arrears in relation to commercial and SME portfolios and also auditing the durability of the arrangements. While the process is challenging, loan restructurings are progressing and the balance sheets of banks and their borrowers are gradually being repaired.

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

Central Bank to Lift Prohibition on Lending by Investment Funds

28 July 2014

The Central Bank of Ireland has today (28 July 2014) published a consultation paper 'Consultation on loan originating Qualifying Investor AIF'. The consultation signals the Central Bank's intention to lift its long-standing prohibition on lending by alternative investment funds (AIFs) and sets out a proposed framework of rules to apply to specialist loan funds (loan originating Qualifying Investor AIF).

The consultation contains proposals to mitigate financial stability risks including:

- making Loan Originating Qualifying Investor AIFs closed-ended;
- leverage limits, and
- strict requirements on these funds to keep their investors well-informed on the lending they would do.

In addition, a number of key protections are imported from banking regulation concerning credit assessment quality, stress testing and related-party origination. Institutional and professional investors would be the eligible investors.

Gareth Murphy, Director of Market Supervision, said: "We believe that loan origination by investment funds should take place within an appropriate regulatory framework. In proposing to make these significant changes to the Central Bank's AIF rulebook, we have carefully considered the credit needs of the real economy, the financial stability risks which can arise from imprudent lending and the necessity to protect investors."

The proposed rules are the result of a year-long process of discussion and consultation with industry and regulatory peers which included the European Systemic Risk Board.

Following on from extensive engagement with the industry the consultation period will run for four weeks and submissions should be submitted by close of business on 25 August 2014.

Further information: Press Office (01) 224 6299; press@centralbank.ie

ENDS

Notes for editors

The proposed 'loan originating Qualifying Investor AIF' will be an investment fund authorised under Irish law by the Central Bank of Ireland, which must have an authorised AIFM and will fall under the AIFMD.

Loan Origination AIFs are a different kind of investment fund than European Long Term Investor Funds ('ELTIFs'). ELTIFs will be governed by a separate proposed European Regulation and retail investors will be permitted. Retail investors may not invest in loan originating QIAIFs. The proposed leverage limit for ELTIFs is 30% (unlike 100% for the proposed loan originating Qualifying Investor AIFs). Qualifying Investor AIFs can lend to listed companies which are not SMEs, unlike ELTIFs.

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

Central Bank of Ireland Publishes Economic Letter on “Corporate Liquidations in Ireland”

30 July 2014

The Central Bank of Ireland today publishes a new Economic Letter on “Corporate Liquidations in Ireland” (Economic Letter Vol. 2014 No.6).

The research presents a newly expanded dataset on corporate liquidations which includes both a sectoral and geographical breakdown of liquidations. This is of particular interest in examining the effect of the recent financial crisis, as both the regions and economic sectors most affected can now be identified.

The main findings of the research are as follows:

- Corporate liquidations are a broad measure of distress in the company/SME population, capturing the impact of both bank and non-bank credit exposures.
- The financial crisis has coincided with a particularly marked increase in corporate liquidations.
- However, the breakdown of liquidations by both sector and geography show that there have been significant differences in the dispersion of liquidations. In particular:
- Although the construction sector has experienced the largest number of liquidations during the crisis, when the size of the sector is taken into account, the rate of liquidations has been higher in the hospitality, manufacturing and retail sectors.
- Similarly, although Dublin continues to account for the largest portion of liquidations, large relative increases in liquidation rates occurred in western regions.

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

Central Bank Publishes Irish responses to the July 2014 Euro Area Bank Lending Survey

30 July 2014

The Central Bank of Ireland has published the Irish responses to the July 2014 Euro Area Bank Lending Survey.

Results Summary:

- Credit standards were unchanged in relation to lending to enterprises during the second quarter of 2014, while demand for loans from overall enterprises, SMEs and large enterprises increased, as did demand for short and long-term enterprise borrowing.
- Credit standards with regard to both loans for house purchases and consumer credit and other lending were unchanged in the second quarter of 2014. Loan demand increased in respect of loans to households for house purchases and for consumer lending.
- Access to retail funding was reported as having eased for short-term sources. Wholesale funding access was also reported to have eased, in particular for short-term money markets, medium to long-term debt securities and securitisation markets.

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

Money and Banking Statistics – June 2014

31 July 2014

Summary[1]:

Credit to households and non-financial corporations continued to contract on an annual basis, as repayments exceeded new lending. Irish resident private-sector deposits also declined on an annual basis, despite net inflows during the month of June.

Loans and other credit

- Household loan repayments exceeded drawdowns by €104 million during June 2014, following a net monthly decrease of €490 million in May. Developments in June were mainly driven by a €99 million decline in loans for non-housing, non-consumption related purposes.
- On an annual basis, lending to Irish households continued to fall, decreasing by 3.9 per cent in June 2014. Loans for house purchase, which account for 80 per cent of total household loans, declined at an annual rate of 3.1 per cent. Lending for consumption and other purposes declined by 6.7 per cent over the year.
- The outstanding stock of loans to the Irish private sector declined by approximately €6 billion during June 2014. This was primarily due to technical factors arising from the reclassification of certain financial entities.
- NFC loan repayments exceeded drawdowns by €1.6 billion in June 2014, in contrast with a positive net flow of €48 million in May 2014. The fall was most pronounced for loans of up to 1 year which decreased by €753 million decrease over the month. Meanwhile, long and medium-term NFC loans showed reductions of €573million and €271 million, respectively.
- Lending to Irish resident NFCs reported a year-on-year decline of 7.3 per cent in June 2014, following an annual decrease of 5.5 per cent in May. This resulted from declines across all maturity categories, with annual declines of 8.1 per cent, 8.4 per cent and 6.1 per cent recorded for short, medium and long-term sectors, respectively.
- Credit institutions' holdings of debt and equity securities issued by the Irish private sector decreased by €2.5 billion during June 2014, following a decrease of €335 million in May. This brought the annual rate of decline at end-June to 16.5 per cent. A fall of €2.5 billion in holdings of securities issued by the OFI sector was the predominant reason for the quarter-on-quarter change.

Deposits and other funding

- Irish resident private-sector deposits increased by €26 million during June 2014; this was mainly driven by a €1.4 billion increase in deposits from the NFC sector and to a lesser extent by a €99 million increase in deposits from the ICPF sector. The reduction in deposits from the OFI and household sectors of €1.3 billion and €105 million, respectively, only partially offset the afore-mentioned increases.
- Looking at the maturity breakdown, overnight deposits, which include current accounts, increased by €296 million in June 2014. This reflects increases in overnight deposits from the NFC, household and ICPF sectors of €1.2 billion, €243 million and €151 million, respectively. Meanwhile, overnight deposits from the OFI sector continued to fall, recording a €1.3 billion decrease during June 2014.
- Deposits with agreed maturity up to two years decreased by €321 million during June 2014. This resulted from falls in the household, OFI and ICPF sectors of €311 million, €95 million and €89 million, respectively. Meanwhile, medium-term deposits from the NFC sector increased by €174 million over the month.
- Deposits with agreed maturity over two years decreased by €52 million during the month of June. Household, OFI and NFC sectors all recorded declines of €47 million, €37 million and €7 million, respectively. By contrast, longer-term deposits among ICPFs showed an increase of €39 million in June 2014.
- On an annual basis, deposits from the Irish resident private sector declined at a rate of 3.2 per cent in June 2014, following a fall of 3.4 per cent in May. Exhibiting similar trends to last month, NFC deposits increased over the year by 16.3 per cent; meanwhile, deposits from ICPFs and households declined by 12.8 per cent and 0.2 per cent, respectively.
- The annual rate of change in OFI deposits was minus 20.1 per cent in June 2014, compared to an annual increase of 47.5 per cent in June 2013. This development is due to base effects, driven by a transaction in March 2013 related to the liquidation of the Irish Bank Resolution Corporation (IBRC). IBRC's liability to the Central Bank of Ireland was replaced by a liability to the National Asset Management Agency (NAMA), classified as an overnight deposit. This position will be unwound as the assets which currently remain on the IBRC balance sheet are transferred.
- Non-resident private-sector deposits increased by €1.9 billion during June 2014, following a €763 million decrease in May. Developments in June were mainly driven by a €1.6 billion increase in private sector deposits from other-euro area residents, the majority of which was deposited in IFSC banks. Private-sector deposits from non-euro area residents also increased by €228 million over the month. In annual terms, private-sector deposits from non-euro area residents decreased

by 17.2 per cent, compared to a much more modest decline of 1.9 per cent for deposits from other euro area residents.

- Credit institutions' borrowings from the Central Bank as part of Eurosystem monetary policy operations fell by €6.8 billion in June 2014. The outstanding stock of these borrowings amounted to €23.2 billion at end-June. The domestic market group of credit institutions accounted for €17 billion of this total outstanding stock and current levels represent the lowest level of reliance on central bank funding since June 2008.

Notes to Editors:

Money and Banking Statistics currently include an aggregate balance sheet for the entire population of resident credit institutions, reported in Table A.4. Please note that the composition of the subsets of the population reported in Tables A.4.1 and A.4.2 have been updated as follows:

A.4.1 – Domestic Market Group: Institutions whose ultimate parent entity is resident in Ireland (including credit unions), or which have a significant (>20 per cent) level of business with Irish households and non-financial corporations in terms of their overall resident business activity.

A.4.2 – Irish-Headquartered Group: Institutions whose ultimate parent entity is resident in Ireland. This includes all credit unions.

A full list of credit institutions resident in the Republic of Ireland, as well as the subset of institutions that comprise the Domestic Market Group, are available in the Credit, Money and Banking section of the Central Bank website.

[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.

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

Information on Berehaven Credit Union

1 August 2014

The Deposit Guarantee Scheme (DGS) has completed the processing of payments to members of Berehaven Credit Union. In addition to payments announced yesterday of approximately €10 million to over 3,100 depositors, further cheques have issued to over 400 members, totalling approximately €1 million.

A provisional liquidator was appointed to Berehaven Credit Union by the High Court on 23 July 2014 and a winding up order was granted yesterday, 31 July 2014.

Following an agreement with the liquidators, Bantry Credit Union has opened a sub-office in the former premises of Berehaven Credit Union.

Update 31 July 2014

Confirmation of appointment of liquidators

The High Court today (31 July 2014) confirmed the appointment of the joint official liquidators, David O'Connor and Jim Hamilton of BDO, to Berehaven Credit Union.

Statement - Berehaven Credit Union Deposit Guarantee Scheme

The Deposit Guarantee Scheme (DGS) has made compensation payments totalling approximately €10 million to over 3,100 depositors of Berehaven Credit Union. Cheques have now been posted to over 85% of members of Berehaven Credit Union, which was placed into liquidation on 23 July 2014.

Remaining deposits are being progressed as quickly as possible and it is expected that further payments will be made shortly. Depositors are advised that they do not need to make any application to the DGS for repayment as this will be processed automatically.

Notes to Editor

The compensation payments have been made from the Deposit Protection Account (DPA), operated by the Central Bank of Ireland and funded by credit institutions covered by the scheme. The balance in the DPA was €370 million prior to this compensation event.

Statement 23 July 2014

Members' eligible deposits will be compensated by the Deposit Guarantee Scheme

Following an application by the Central Bank of Ireland, the High Court has today (23 July 2014) approved the appointment of a provisional liquidator to Berehaven Credit Union. The Central Bank took this action as Berehaven Credit Union was no longer viable as a stand-alone credit union. Alternative options to resolve the serious financial difficulties at the credit union were examined but were found not to be feasible. Members' eligible deposits will be compensated by the Deposit Guarantee Scheme. The appointment of the provisional liquidator to Berehaven Credit Union does not have any impact on members' savings in any other credit union.

Berehaven Credit Union had serious financial difficulties due to poor governance, lending practices and a lack of internal controls, which the Central Bank has engaged with the credit union on in recent years in an attempt to find a resolution. The Central Bank's main objective when resolving credit unions in difficulty is to find a credit union based solution that maintains services in the local community. In this case the Central Bank examined all available options, including a directed transfer to another credit union. However, while a transfer bid was received from another credit union, the financial support required was significantly greater than the estimated cost of liquidation. On this basis the liquidation of Berehaven Credit Union was the only option available. The Board of Berehaven Credit Union actively engaged with the Central Bank in seeking a resolution in recent weeks and did not oppose the appointment of a provisional liquidator.

Following the appointment of the provisional liquidator, the Deposit Guarantee Scheme has been invoked. Members of Berehaven Credit Union will receive compensation in respect of their eligible deposits up to €100,000 per person. Compensation payments will automatically issue to the address held on file by the Credit Union. The Central Bank expects to be in a position to issue duly verified compensation payments to members shortly.

Members of Berehaven Credit Union are advised that they do not have to contact the credit union as their compensation payments will be processed automatically. Members do not need to make any application to the Central Bank as compensation will be made directly to them, by cheque.

The Central Bank advises all members of the Berehaven Credit Union to ensure they have access to an account to which they can lodge a cheque.

The Central Bank remains fully supportive of the credit union sector in Ireland and is committed to the continued development of a strong and sustainable credit union sector that meets members' changing needs and protects their savings. The Central Bank continues to work with credit unions in difficulty to resolve issues appropriately as part of our programme of work.

An information document advising members of the implications of the liquidation of Berehaven Credit Union has been published on the Central Bank website. The Resolution Report, which was presented to High Court as part of the application, has also been published on the website.

Notes to Editor:

The Deposit Guarantee Scheme is administered by the Central Bank of Ireland and protects eligible deposits up to €100,000 per person in banks, building societies and credit unions authorised in Ireland.

The Irish Deposit Guarantee Scheme was put in place under the terms of EU Directive 94/19/EC which stipulated that all Member States would bring into force the laws, regulations and administrative provisions necessary to establish and operate a Deposit Guarantee Scheme. The Irish scheme was set up under the European Communities (Deposit Guarantee Scheme) Regulations 1995, as amended. On 11th March 2009 EU Directive 2009/14 stipulated that the maximum coverage level of all EU Deposit Guarantee Schemes be set at €100,000 with effect from 31st December 2010. However the Irish government had already announced the increase to €100,000 with immediate effect from 20th September 2008 and gave legislative effect to this in the European Communities (Deposit Guarantee Schemes) (Amendment) Regulations 2009 on 24th June 2009.

Under the terms of the Deposit Guarantee Scheme payments to duly verified depositors must be paid within 20 days.

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

Consultation paper on Fitness and Probity regime for credit unions also authorised as retail intermediaries

1 August 2014

The Central Bank of Ireland today published a consultation paper on the Fitness and Probity regime for credit unions that are also authorised as retail intermediaries.

On 1 August 2013, a tailored Fitness and Probity regime was introduced on a phased basis for credit unions for their core business of savings and loans. At that time, the Central Bank indicated that from 1 August 2015 credit unions that are also authorised as retail intermediaries would be subject to the Fitness and Probity regime that applies to all other regulated financial services providers for the retail intermediary portion of their business.

This consultation proposes a revised approach for the introduction of the Fitness and Probity regime for credit unions that are also authorised as retail intermediaries from 1 August 2015. Interested parties are asked to comment on the public consultation by 30 September 2014. Responses to submissions received will be published on www.centralbank.ie.

Notes for Editors:

- The Fitness and Probity regime for credit unions was introduced for credit unions with total assets greater than €10m on 1 August 2013. All credit unions will be subject to the Fitness and Probity regime for credit unions from 1 August 2015.
- Under the revised approach the following individuals in credit unions that are also authorised as retail intermediaries would be designated as controlled functions (CFs) and pre-approval controlled functions (PCFs) where they undertake retail intermediary activities:
  - the CFs of the Fitness and Probity regime that applies to all other regulated financial services providers; and
  - the PCFs of the Fitness and Probity regime for credit unions.

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

New research on Mortgage Repayments after Permanent Modification in Ireland

5 August 2014

The Central Bank of Ireland today publishes a new Economic Letter 'Mortgage Repayments after Permanent Modification' (Economic Letter Vol. 2014 No.7).

This Letter examines mortgage repayment patterns after permanent modification in Ireland. It focuses on any primary dwelling house loan that has experienced at least 90 day arrears since December 2010 and has received a permanent modification during that time.

The main findings of this research include:

- The stock of permanently modified loans is growing faster than the stock of loans in default, suggesting that institutions are making progress in addressing the arrears problem.
- The stock of permanently modified defaulted loans making full repayments on their modified mortgage amount has increased to 55 per cent from 28 per cent in the 3 years to December 2013.
- The persistence of full repayment after permanent modification has improved over time. Of loans permanently modified in Q4 2012, 60 per cent continued to make full repayment a year later, compared to 44 per cent of loans modified in Q4 2011.
- Approximately 11 per cent of permanently modified defaulted loans consistently make no repayment after modification.

Further information: Press Office: (01) 224 6299; press@centralbank.ie

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

Central Bank of Ireland Issues Warning on Unauthorised Investment Firm

5 August 2014

The Central Bank of Ireland today published the name of an unauthorised investment firm, Asian Futures Trading Group (Hong Kong). Asian Futures Trading Group (Hong Kong) is not authorised as an investment firm by the Central Bank.

It is a criminal offence for an unauthorised person or firm to provide financial services in Ireland that would require an authorisation under the relevant legislation for which the Central Bank is the responsible body for enforcing. Consumers should be aware that if they deal with a person or 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 persons or firms may telephone (01) 224 4000. This line is also available to the public to check if a person or firm is authorised. Since obtaining the necessary legal powers in August 1998, the names of 243 unauthorised persons or firms have been published by the Central Bank.

Notes to editors:

The name of the above firm is published under the Central Bank (Supervision and Enforcement) Act 2013.

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

Central Bank of Ireland Issues Warning on Unauthorised Investment Firm

6 August 2014

The Central Bank of Ireland today published the name of an unauthorised investment firm, Hunt Acquisition Group (Japan). Hunt Acquisition Group (Japan) is not authorised as an investment firm by the Central Bank.

It is a criminal offence for an unauthorised person or firm to provide financial services in Ireland that would require an authorisation under the relevant legislation for which the Central Bank is the responsible body for enforcing. Consumers should be aware that if they deal with a person or 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 persons or firms may telephone (01) 224 4000. This line is also available to the public to check if a person or firm is authorised. Since obtaining the necessary legal powers in August 1998, the names of 244 unauthorised persons or firms have been published by the Central Bank.

Notes to editors:

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

Press Release 7 August 2014

The Central Bank of Ireland today publishes a new Technical Paper on "ECB Monetary Operations and the Interbank Repo Market" (Technical Paper No. 09/RT/14).

The research examines the relationship between monetary policy operations that supply reserves to the banking system and the trading of such reserves within the interbank market. The financial crisis prompted radical changes in how official operations are conducted which directly provided unlimited liquidity to a large number of banks for longer term to maturity than ever before. This paper explores the effect of this on the interbank market

The main findings of the research are as follows:

- During the period from 2003 to 2007 reserve requirements were quite static while there is evidence of progressive improvement in the efficiency of the interbank repo market. This released capital for longer term lending.
- The rise in interest rates in the immediate pre-crisis period gave rise to a contraction in repo market activity.
- The relaxing of reserve auction conditions in the pre-Lehman crisis period improved the allocation of reserves across banks but didn't significantly improve interbank market conditions. This also led to divergence in the weighted average auction rate from a level consistent with interest rate policy.
- The move to fixed-rate full allotment auctions after the Lehman Bros collapse gave rise to a two tier system for accessing and sharing reserves. Only banks with high credit ratings remained active in the interbank market.
- While the new reserve auction arrangements solved a liquidity problem for banks without access to interbank markets, it also took away incentives for them to engage in structural improvements to help them access longer term funding and new equity capital.
- Reintroducing a variable rate auction with a sufficiently liberal supply of reserves would prevent actual funding rates deviating too far from the monetary policy rate. This would allocate reserves better and incentivise banks that end up bidding higher in auctions to make structural changes to improve their access to cheaper reserves in the interbank market.

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

Central Bank of Ireland Issues Warning on Unauthorised Investment Firm

7 August 2014

The Central Bank of Ireland today published the name of an unauthorised investment firm, Citystate Consulting Co. (USA). Citystate Consulting Co. (USA) is not authorised as an investment firm by the Central Bank.

It is a criminal offence for an unauthorised person or firm to provide financial services in Ireland that would require an authorisation under the relevant legislation for which the Central Bank is the responsible body for enforcing. Consumers should be aware that if they deal with a person or firm which is not authorised, they are not eligible for compensation from the Investor Compensation Scheme.

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Notes to editors:

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

Retail Interest Rate Statistics: June 2014

8 August 2014

Key Developments

- The interest rate on **new loan agreements to households for house purchase**, with either a floating rate or initial rate fixation of up to one year fell by 4 basis points to 3.15 per cent at end-June 2014. This is some 51 basis points higher than the equivalent euro area rate.
- The weighted average interest rate on **outstanding loans to households for house purchase** declined by 9 basis points to 2.74 per cent at end-June 2014. The equivalent euro area rates were 55 basis points higher at 3.29 per cent.
- The weighted average interest rate on total **outstanding household term deposits** continued to decline to 1.93 per cent at end-June. Rates in this category have declined since May 2012. There is tentative evidence that household deposit volumes are moving from medium-term categories towards the overnight category, highlighting the low deposit rates currently on offer across all maturities.
- The weighted average interest rate on **new loan agreements to NFCs** up to €1 million (often used as a proxy for SME lending) declined by 23 basis points since May.

Households

Loans to Households

The interest rate on **new loan agreements to households for house purchase**, with either a floating rate or initial rate fixation of up to one year, was 3.15 per cent at end-June 2014, representing a four basis point decrease from the corresponding rate in May. The corresponding interest rate at end-June for the euro area was 51 basis points lower at 2.64 per cent. Loans in this category accounted for 88 per cent of all new mortgage business in the domestic market over the past year. In contrast, floating rate loans in the euro area accounted for 27 per cent of new mortgage business over the same period.

The weighted average interest rate on **outstanding loans to households for house purchase** declined to 2.74 per cent at end-June 2014, falling 8 basis points since May. The corresponding end-June interest rate for the euro area was higher, at 3.29 per cent. Interest rates on outstanding mortgages in Ireland have tended to follow movements in the ECB's main refinancing rate (MRO) more closely than equivalent euro area rates due to the higher proportion of tracker and other variable rate mortgage products in the domestic market

(Chart 1). However, more recently, this traditional relationship is seen to have weakened.

The weighted average interest rate on **new loans to households for non-housing purposes** fell by just over 98 basis points over the month, to stand at 6.40 per cent. The corresponding euro area interest rate declined by 10 basis points at end-June, to stand at 4.69 per cent. It should be noted that new business volumes for loans to households for non-housing purposes have been particularly low in recent years, resulting in a volatile series.

The weighted average interest rate on **outstanding amounts of non-housing related loans** was 7.11 per cent in June 2014, representing a 44 basis point increase over the month, and an 82 basis point rise since June 2013. This year-on-year increase was reflected across all three maturity categories of loans for consumption and other purposes, with loans in the medium-term category (fixation period of one to five years) exhibiting the most pronounced increase. The corresponding end-June rate for all non-housing loans in the euro area was 156 basis points lower than the Irish rate at 5.55 per cent.

Deposits from Households

The interest rates on **new household term deposits** fell by eleven basis points to 0.65 per cent at end-June 2014. This also represented a year-on-year decrease of 11 basis points.

The weighted average interest rate on total **outstanding household term deposits** continued to fall in June to 1.93 per cent, representing a 160 basis point fall since their last increase in April 2012. Developments have been mainly driven by declining rates in medium-term deposits (agreed maturity of up to two years). Over the past number of months, there has been some evidence of movement from deposits in the medium-term category towards the overnight category, emphasising the low interest rate environment. At end-June 2014, interest rates on deposits with agreed maturity up to two years stood at 1.95 per cent, representing a 74 basis point decrease since end-June 2013.

Non-Financial Corporations (NFCs)

Loans to NFCs

The weighted average interest rate on **new loan agreements to NFCs** up to €1 million (often used as a proxy for SME lending) declined by 23 basis points since May, standing at 4.9 per cent at end-June. The corresponding interest rate charged by euro area credit institutions in June was 132 basis points lower at 3.57 per cent.

In terms of new business for NFC loans above €1 million, the weighted average interest rate increased by 49 basis points to 3.53 per cent at end-June. The volumes in new business categories have been particularly low, resulting in pronounced month-on-month volatility. The equivalent euro area interest rate remained broadly stable in June 2014, standing at 2.16 per cent.

The weighted average interest rate on **outstanding loans to NFCs** issued by Irish-resident credit institutions decreased by six basis points to 3.09 per cent at end-June 2014 (Chart 2). The twelve-month average for this rate was 3.06 per cent. The euro area weighted average interest rate for the month of June was 3.25 per cent.

Deposits from NFCs

The interest rate on **new term deposits from NFCs** declined by twelve basis points to 0.38 per cent at end-June 2014. This rate has been relatively stable over the past year, recording a twelve-month average of 0.44 per cent. The equivalent monthly rate offered by euro area credit institutions was higher at 0.62 per cent at end-June 2014.

The weighted average interest rate on **outstanding NFC term deposits** fell by three basis points to 1.31 per cent at end-June 2014. This represents a fall of 49 basis points since June 2013. Annual developments were driven by deposits with agreed maturity of up to two years, which account for over 94 per cent of all NFC term deposits.

Note:

Retail Interest Rate Statistics cover all euro-denominated lending to, and deposits from, households and non-financial corporations (NFCs) in the euro area by credit institutions resident in Ireland. Interest rates on outstanding amounts cover all loans and deposits outstanding on the last working day of the month, while interest rates applicable to new business volumes cover all new loan and deposit business agreed during the month.

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 renegotiation of existing deposits and loans. Automatic renewals of existing contracts, which occur without any involvement by the customer, are not included in new business. 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.

Further information

For queries contact: Central Bank, Press Office at press@centralbank.ie or (01) 224 6299

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

Security Issue Statistics – June 2014

12 August 2014

Trends in market-based financing of all Irish-resident entities:

- The outstanding amount of debt securities issued by Irish firms and by the Government sector was €824.2 billion at end-June 2014, a decrease of 9 per cent year-on-year. The outstanding amount of debt securities issued by euro area residents also decreased by 0.6 per cent.
- Market-based debt financing for the banking sector stood at €71.3 billion in June 2014, a decrease of 5 per cent year-on-year.
- Equity shares had an outstanding value of almost €322.8 billion at end-June. Quoted shares (€322.4 billion), which are predominant in the equity category, saw a year-on-year increase of 40 per cent. Likewise, the value of the stock of quoted shares issued by euro area residents increased by 28 per cent.

Banking Sector

Market-based debt financing for the banking sector increased by €338 million in June 2014 (compared to an increase of €160 million in May).

Since June 2013, the outstanding amount of debt securities for the banking sector has decreased by 5 per cent to €71.3 billion with short-term debt contracting by 26 per cent (Chart 1 and 2). Over the past 12 months, the total outstanding amount of debt securities for this sector across the euro area also decreased by 7 per cent. This reflects continuing deleveraging in the banking sector.

The market value of equity securities in the banking sector saw a year-on year increase of 20 per cent[1] to €20.3 billion (Chart 3). This increase is primarily as a result of valuation changes.

Non-Financial Corporations

The outstanding amount of debt securities issued by non-financial corporations (NFC) decreased to €7.7 billion in June 2014 (Table 1).

In June 2014, the value of the quoted shares issued by the NFC sector increased to €284 billion. This represented a year-on-year increase of 43 per cent (Chart 4). In the month to end-June 2014, the market value of equity securities in this sector increased by more than €30 billion (Chart 4). This increase is primarily as a result of further NFCs redomiciling to Ireland.

The annual percentage change in market capitalisation for NFCs in the euro area was approximately 26 per cent.

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

[1] As per compilation methodology utilised by the Central Bank of Ireland

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

Holders of Irish Government Bonds - June 2014

13 August 2014

Key Developments:

- The nominal value outstanding of government bonds at end June 2014, remained broadly unchanged from end-May standing at €113,207 million.
- Residents held 47.7 per cent of Irish government bonds with credit institutions and the Central Bank of Ireland accounting for 91 per cent of these holdings.

Outstanding government bonds[1] stood at €113,207 million in June 2014, with 11 per cent due to mature in less than three years. At end-June 2014, resident holders held 47.7 per cent of long-term Irish government bonds. Resident credit institutions and the Central Bank of Ireland, account for 91 per cent of resident holdings.

The resident non-bank financial sector reported holdings of €2,758 million in June 2014. The holders within this sector were predominately other financial intermediaries at €1,133 million (Chart 1).

32 per cent of outstanding Government bonds will mature within the next 5 years (Table 1). 27 percent of resident holders fall under this maturity category, while the equivalent ratio for non-resident holders is higher at 37 per cent. Furthermore, 30 per cent (or €17.7 billion) of long-term bonds held by non-resident investors will mature from 2023 onwards (Chart 2).

Notes to editors:

This data series was published for the first time in February 2014. The new series is based on different source information, so it is not directly comparable with previous publications. Care should, therefore, be exercised in comparing the new series with earlier publications.

This has arisen due to the introduction of the Securities Holdings Regulation by the ECB in December 2013. The dataset is compiled from data submitted by all custodians resident in Ireland, direct reporting by end investors and information from the Government Bond Register held by the Central Bank to provide breakdowns by maturity and by holding sector.

[1] Please see background information below and the explanatory notes for further information

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

Central Bank of Ireland Issues Warning on Unauthorised Debt Management Firm

15 August 2014

The Central Bank of Ireland today published the name of an unauthorised debt management firm, Smart Resolutions Mediation Limited (Ireland). Smart Resolutions Mediation Limited (Ireland) is not authorised as a debt management firm by the Central Bank.

It is a criminal offence for an unauthorised person or firm to provide financial services in Ireland that would require an authorisation under the relevant legislation for which the Central Bank is the responsible body for enforcing.

Any person wishing to contact the Central Bank with information regarding such persons or firms may telephone (01) 224 4000. This line is also available to the public to check if a person or firm is authorised. Since obtaining the necessary legal powers in August 1998, the names of 246 unauthorised persons or firms have been published by the Central Bank.

Notes to editors

The name of the above firm is published under the Central Bank (Supervision and Enforcement) Act 2013.

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

Central Bank Research Finds that Businesses in Ireland are Reducing Cheque Usage Faster than Consumers

19 August 2014

The Central Bank of Ireland today (19 August 2014) published the findings of an analysis of cheque usage in Ireland, which follows on from its initial survey in 2012. The research shows that as cheque volumes continue to decline, business cheque usage is reducing faster than consumer usage. Ireland is now one of only six EU member states that use cheques for regular payments.

Cheques issued in Ireland are projected to be 61 million in 2014, down from 69 million in 2013 and from 132 million in 2005. Based on the survey, cheques issued by businesses will be an estimated 28 million in 2014, down from 33 million in 2012. Consumer-issued cheques are also falling, from 26 million in 2012 to an estimated 23 million in 2014.

The analysis shows that of all cheques, businesses issue 47%, slightly higher than in 2012, but are recipients of 43%, down considerably from 50% in 2012. SMEs account for 80% of these in each case. Consumers issue 37% of all cheques, up 2% since 2012, and receive 49%, up from 44% in 2012.

66% of all business cheques issued are for €1,000 or less while 41% of cheques issued by consumers are for €100 or less. The public sector issues 11% of cheques the vast majority of which are social welfare payments.

Programme Manager of the National Payments Plan Ronnie O'Toole said: "While businesses, small businesses in particular, remain the largest user group of cheques, it is clear that businesses are recognising the benefits of electronic payments and are now leading the migration away from cheque usage.

"For a small business, or indeed any business, costs include 50c stamp duty on each cheque, bank charges, postal charges as well as administration and processing costs."

The National Payments Plan, though not setting an end-date for cheques in Ireland, is targeting a significant reduction from present levels. Next month's e-Day sees another step in this process when, from September 19th, public sector bodies will no longer issue or accept cheques in their dealings with businesses.

ENDS

Further information: Press Office (01) 224 6299, press@centralbank.ie

Methodology

A sample of 8,000 cheques was used for the survey. The four main cheque clearing banks[1] each examined 1,000 cheques on two different dates in 2014. They were classified under the following issuer categories:

- Consumers
- Small and Medium Sized Businesses
- Large Businesses Corporates
- Public Sector
- Financial Institutions
- Unincorporated bodies
- Bank Drafts

Consumer cheques were subdivided into three value bands: ≤€100, >€100 ≤€500 and >€500). Business-issued cheques were similarly classified into three value bands: ≤€1k, >€1k ≤€5k and >€5k.

The beneficiaries were similarly categorised, but also included 'Utilities' and 'Schools'. Furthermore, the public sector was subdivided into Government Departments, State Agencies and Local Authorities in the beneficiary classifications.

Cheque Statistics for Ireland

Cheque volumes in Ireland have been declining since 2005 when volumes were 131.5 million. By 2013 this had dropped to 68.8 million.[2] In addition to the cheques issued by businesses and consumers identified in the survey, others include bank drafts, social welfare cheques, and cheques issued by other public sector bodies, clubs and societies.

Cheque Usage in Europe

21 of the 28 EU member states have effectively eliminated cheques with usage down to two cheques per capita per annum or less. Ireland's average is 17 cheques per capita per annum.[3]

[1] AIB, Bank of Ireland, permanent tsb, Ulster Bank

[2] Source: IPSO (www.ipso.ie)

[3] Source: European Central Bank 2012 Statistics

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

Central Bank Releases New Research on Irish SME Property Exposure

20 August 2014

The Central Bank of Ireland today publishes a new Economic Letter 'Irish SME property exposure: what do we know?' (Economic Letter Vol. 2014 No.8).

This Letter provides information from survey and loan-level data which can help to quantify the exposure of Irish SMEs to property-related borrowing.

The main findings of this research include:

- Survey data show that a minimum of one fifth of Irish SMEs have direct exposure to property debt.
- Loan-level data show that at least 10 per cent of firms with bank debt have exposure to property investment at the same bank, with this figure rising to 16 per cent when including Buy-To-Let mortgages for a subset of the data.
- Data on loan default suggests that property-related borrowing has had a detrimental impact on firms: SMEs with property-related borrowings have a loan default rate of 43 per cent, compared to 23 per cent for those without property exposure.

Further information: Press Office: (01) 224 6299; press@centralbank.ie

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

Money and Banking Statistics – July 2014

29 August 2014

Summary [1]

Lending to households and non-financial corporations by credit institutions continued to contract on an annual basis, as repayments exceeded new lending. Resident private-sector deposits also declined on an annual basis, despite the second consecutive month of net inflows in July.

Loans and other credit

- Household loan repayments exceeded drawdowns by €437 million during July 2014, following a net monthly decrease of €104 million in June. Developments in July were mainly driven by a €255 million decline in loans for house purchase.
- On an annual basis, lending to Irish households continued to fall, decreasing by 3.9 per cent in July 2014. Loans for house purchase, which account for 80 per cent of total household loans, declined at an annual rate of 3.1 per cent. Lending for consumption and other purposes declined by 6.5 per cent over the year.
- The outstanding stock of loans to the Irish private sector declined by approximately €9 billion during July 2014. This decline primarily reflects changes in the reporting population.
- NFC loan repayments exceeded drawdowns by €880 million in July 2014 following a net decline of €1.6 billion in June 2014. The fall was most pronounced for loans of up to 1 year which decreased by €617 million over the month. Meanwhile, medium and long-term NFC loans showed reductions of €157 million and €107 million, respectively.
- Lending to Irish resident NFCs reported a year-on-year decline of 8.2 per cent in July 2014, following an annual decrease of 7.3 per cent in June. This resulted from declines across all maturity categories, with annual declines of 9.1 per cent, 9.6 per cent and 6.6 per cent recorded for short, medium and long-term sectors, respectively.
- Credit institutions' holdings of debt and equity securities issued by the Irish private sector decreased by €239 million during July 2014, following a decrease of €2.5 billion in June. A fall of €328 million in holdings of securities issued by the OFI sector was the predominant reason for the month-on-month change. This brought the annual rate of decline at end-July to 15.9 per cent.

Deposits and other funding

- Irish resident private-sector deposits increased by €153 million during July 2014; this was mainly driven by a €135 million increase in deposits from the OFI sector and to a lesser extent by a €50 million increase in deposits from the ICPF sector. The reduction in deposits from the household and NFC sectors of €30 million and €2 million, respectively, partially offset the afore-mentioned increases.
- Looking at the maturity breakdown, overnight deposits, which include current accounts, increased by €816 million in July 2014. This reflects the increase in overnight deposits across all counterparty sectors, the most pronounced of which was a €400 increase from the household sector.
- Deposits with agreed maturity up to two years decreased by €558 million during July 2014. This resulted from falls in deposits from the household, NFC and ICPF sectors of €367 million, €184 million and €79 million, respectively. Meanwhile, medium-term deposits from the OFI sector increased by €72 million over the month.
- Deposits with agreed maturity over two years decreased by €62 million during the month of July. Household, ICPF and NFC sectors all recorded declines of €50 million, €30 million and €11million, respectively. By contrast, longer-term deposits from the OFI sector showed an increase of €29 million in July 2014.
- On an annual basis, deposits from the Irish resident private sector declined at a rate of 3.1 per cent in July 2014, following a fall of 3.2 per cent in June. Exhibiting similar trends to last month, NFC deposits increased over the year by 15.6 per cent; meanwhile, deposits from ICPFs declined by 12.6 per cent and household deposits remained unchanged from the previous year.
- The annual rate of change in OFI deposits was minus 19.6 per cent in July 2014, compared to an annual increase of 40.9 per cent in July 2013. This development is due to base effects, driven by a transaction in March 2013 related to the liquidation of the Irish Bank Resolution Corporation (IBRC). IBRC's liability to the Central Bank of Ireland was replaced by a liability to the National Asset Management Agency (NAMA), classified as an overnight deposit.
- Non-resident private-sector deposits increased by €824 million during July 2014, following a revised increase of €436 million in June. Developments in July were mainly driven by an €845 million increase in private sector deposits from non-euro area residents, the majority of which was deposited in IFSC banks. Private-sector deposits from other-euro area residents fell by €21 million over the month. In annual terms, private-sector deposits from non-euro area residents decreased by 7.7 per cent, compared to a 4.1 per cent decline in deposits from other euro area residents.
- Credit institutions' borrowings from the Central Bank as part of Eurosystem monetary policy operations fell by €85 million in July 2014. The outstanding stock of these borrowings remained at €23.2 billion at end-July. The domestic market group of credit institutions accounted for

€16.4 billion of this total outstanding stock and current levels represent the lowest level of reliance on central bank funding since June 2008.

Note to editors:

Money and Banking Statistics currently include an aggregate balance sheet for the entire population of resident credit institutions, reported in Table A.4. Please note that the composition of the subsets of the population reported in Tables A.4.1 and A.4.2 have been updated as follows:

A.4.1 – Domestic Market Group: Institutions whose ultimate parent entity is resident in Ireland (including credit unions), or which have a significant (>20 per cent) level of business with Irish households and non-financial corporations in terms of their overall resident business activity.

A.4.2 – Irish-Headquartered Group: Institutions whose ultimate parent entity is resident in Ireland. This includes all credit unions.

A full list of credit institutions resident in the Republic of Ireland, as well as the subset of institutions that comprise the Domestic Market Group, are available in the Credit, Money and Banking section of the Central Bank website.

[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] Changes in outstanding amounts need to be interpreted with caution, as they are increasingly influenced by reclassifications, including loan sales and changes in reporting population. Transactions and growth rates are better measures of activity over any given period.

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

Central Bank Issues Commemorative Coin in Honour of Irish Inventor John Philip Holland

1 September 2014

The Central Bank of Ireland will launch today (1 September 2014) a €15 limited edition Silver Proof collector coin to commemorate John Philip Holland [1841 - 1914], the Irish born inventor of the modern submarine.

Speaking at the launch at the Marine Institute, Oranmore, Galway, Central Bank Director of Currency and Facilities Management, Paul Molumby said: *"This is the first in a new series that the Central Bank will issue to honour Ireland's impressive scientific and technological tradition. John Philip Holland's life and achievements were extraordinary. He played a significant role in the development of submarine navigation and following his emigration to the USA, he designed the first working submarine."*

The coin features a representative image of the inventor's hand poised to place the final stroke of a technical drawing of the USS Holland, complete with a decorative nautilus spiral with the obverse bearing the traditional representation of the Irish harp. The coin, which was designed by Mary Gregoriy, is part of the Irish Science and Inventions coin series, and has an issue limit of 10,000 units.

The Holland coin will be available to the public from tomorrow (2 September 2014). Coins can be purchased by downloading an order form from www.centralbank.ie, by phoning 1890 307 607 or directly from the Central Bank on Dame Street in Dublin at a cost of €44.

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

Residential Mortgage Arrears and Repossessions Statistics: Q2 2014

2 September 2014

Summary

- The number of mortgage accounts for principal dwelling houses (PDH) in arrears fell for the fourth consecutive quarter in Q2 2014. A total of 126,005 (16.5 per cent) of accounts were in arrears at end-Q2, a decline of 4.7 per cent relative to Q1.
- PDH mortgage accounts in arrears over 90 days continued to fall during Q2. The number of accounts in arrears over 90 days at end-June was 90,343 (11.8 per cent of total), reflecting a quarter-on-quarter decline of 3 per cent. This represents the third consecutive decline in the number of PDH accounts in arrears over 90 days.
- However, this decline in arrears over 90 days masks a continuing increase in very long-term arrears. PDH accounts in arrears over 720 days increased by 1,752 (5 per cent) during Q2 and now account for 4.9 per cent of total PDH mortgage accounts. The total outstanding balance on PDH accounts in arrears over 720 days was just under €8 billion at end-June, equivalent to 7.5 per cent of the total outstanding balance on PDH mortgage loans.
- Some 101,973 PDH mortgage accounts were classified as restructured at end-June, reflecting a quarter-on-quarter increase of 10.3 per cent. Of these restructured accounts, 81.2 per cent were deemed to be meeting the terms of their current restructure arrangement. The largest increases in restructures were recorded in the categories of split mortgages and arrears capitalisations.
- Buy-to-let (BTL) mortgage accounts in arrears over 90 days increased by 2.3 per cent during the second quarter of the year. However, there was a marginal decline of 0.1 per cent among the banks subject to the Central Bank’s MART targets.
- There was a quarter-on-quarter increase of 9.4 per cent in BTL accounts in arrears over 720 days during Q2. At end-June, there were 14,536 BTL accounts in arrears over 720 days, with an outstanding balance of €4.5 billion. This is equivalent to 16 per cent of the total outstanding balance on all BTL mortgage accounts.

Residential Mortgages on Principal Dwelling Houses

Arrears

- At end-June 2014, there were 762,575 private residential mortgage accounts for principal dwellings held in the Republic of Ireland, to a value of €106.2 billion. Of this total stock, 126,005 accounts were in arrears, a fall of 6,212 or 4.7 per cent over the quarter. Some 90,343 accounts (11.8 per cent) were in arrears of more than 90 days.[2] The number of accounts in arrears over 90 days fell by 3 per cent over the quarter, marking the third consecutive decline in arrears over 90 days. The developments in arrears over the quarter include some reclassification adjustments relating to non-bank lenders, but this does not impact overall trends. Banks subject to the Central Bank's MART targets recorded a larger quarter-on-quarter decline of 5.2 per cent in the number of PDH accounts in arrears over 90 days. The outstanding balance on all lenders' PDH mortgage accounts in arrears of more than 90 days was €17.5 billion at end-June, equivalent to 16.5 per cent of the total outstanding balance on all PDH mortgage accounts.

- Early arrears declined significantly during the second quarter of the year. There was a quarter-on-quarter fall of 8.8 per cent in the number of accounts in arrears of less than 90 days, which stood at 35,662 at end-June, or 4.7 per cent of the total stock. Longer-term arrears continued to increase, however, as the number of accounts in arrears over 360 days reached 60,995 at end-June, equivalent to 8 per cent of the total stock of PDH mortgage accounts. All of this increase was driven by accounts in arrears of over 720 days, which rose by 1,752 and now constitute 29.4 per cent of all accounts in arrears, and 70.3 per cent of arrears outstanding. The pace of increase in longer-term arrears has continued to moderate, however, and, combined with the reduction in early arrears this quarter, resulted in a decline in the overall number of PDH accounts in arrears of 4.7 per cent relative to Q1 (3.1 per cent decline in value terms). Nonetheless, the value of accounts in longer-term arrears over 360 days remains large, amounting to €12.5 billion at end-June.

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[3]. The figures also include advanced modification options such as split mortgages and trade-down mortgages, which have been introduced to provide more long-term solutions for customers in difficulty.

- A total stock of 101,973 PDH mortgage accounts were categorised as restructured at end-June 2014. This reflects an increase of 10.3 per cent from the stock of restructured accounts reported at end-March. The share of interest only arrangements of less than one year and reduced payment arrangements fell further during Q2, to 26 per cent from 30 per cent at end Q1, indicating a continuing move out of short-term arrangements. Arrears capitalisations continued to increase during the second quarter of the year and accounted for 25 per cent of total restructures at end-June. Split mortgages also increased significantly during this period, and now represent 13 per cent of all PDH restructures. A breakdown of restructured mortgages by type is presented in Figure 2. A total of 28,168 new restructure arrangements[4] were agreed during the second quarter of 2014. The data on arrears and restructures indicate that of the total stock of 126,005 PDH accounts that were in arrears at end-June, 39,473 (31.3 per cent) were classified as restructured at that time. Of the total stock of 90,343 PDH accounts that were in arrears of more than 90 days, 28.5 per cent were classified as restructured, up from 27.5 per cent at end-March.

- Some 61.3 per cent of restructured accounts were not in arrears at end-June 2014. 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. At end-June, 81.2 per cent of restructured PDH accounts were deemed to be meeting the terms of their arrangement. This means that the borrower is, at a minimum, meeting the agreed monthly repayments according to the current restructure arrangement. It is important to note that 'meeting the terms of the arrangement' is not a measure of sustainability, as not all restructure types represent longer-term sustainable solutions as defined within the Mortgage Arrears Resolution Targets[5]. For instance, short-term interest only restructures are, in general, not part of longer-term sustainable solutions. The MART sustainability targets also include a significant number of accounts in arrears which are part of a legal process. These accounts are not classified as restructured within the Mortgage Arrears Statistics. Arrears associated with such accounts are recorded in full in the data.

- Inability to meet the terms of the arrangement implies that the restructure agreement put in place may not have been suitable. Table 1 shows the percentage of restructured accounts that were deemed to be meeting the terms of their arrangement at end-June 2014, broken down by arrangement type. Lower numbers indicate a higher incidence of 're-default', and these are particularly evident amongst arrears capitalisation cases, as well as cases in which a permanent interest rate reduction has been granted. As the figures in Table 1 only reflect compliance with the terms of the current restructure arrangement, we should expect to see a higher percentage of compliance among the restructure types that are likely to be shorter-term.[6] Nonetheless, the figures imply that of the total stock of accounts in the arrears capitalisation category, 33.2 per cent of PDH accounts have 're-defaulted', i.e. the arrears balance has increased since the arrangement was put in place.

Legal Proceedings and Repossessions

During the second quarter of 2014, legal proceedings were issued to enforce the debt/security on a PDH mortgage in 3,274 cases. Court proceedings concluded in 530 cases during the quarter, and in 296 of these cases the Courts granted an order for repossession or sale of the property. There were 1,110 properties in the banks' possession at the beginning of the quarter. A total of 299 properties were taken into possession by lenders during the quarter, of which 89 were repossessed on foot of a Court Order, while the remaining 210 were voluntarily surrendered or abandoned. During the quarter 130 properties were disposed of. A further 5 properties in possession were reclassified as BTLs. As a result, lenders were in possession of 1,274 PDH properties at end-June 2014.

Residential Mortgages on Buy-to-Let Properties

Arrears

At end-June 2014, there were 144,187 residential mortgage accounts for buy-to-let properties held in the Republic of Ireland, to a value of €29.2 billion. Some 39,669 (27.5 per cent) of these accounts were in arrears, compared to 39,361 (27.2 per cent) at the end of March. Of this total stock of accounts, 31,749, or 22 per cent, were in arrears of more than 90 days, reflecting an increase of 2.3 per cent over the quarter. These quarter-on-quarter changes were impacted by the reclassification adjustments relating to non-bank lenders. Banks subject to the Central Bank's MART targets actually recorded a marginal decline of 0.1 per cent in the number of BTL accounts in arrears over 90 days. The outstanding balance on all lenders' BTL mortgage accounts in arrears of more than 90 days was €8.9 billion at end-June, equivalent to 30.7 per cent of the total outstanding balance on all BTL mortgage accounts.

The number of BTL accounts that were in arrears of more than 180 days was 28,083 at end-June 2014, reflecting a quarter-on-quarter increase of 3.4 per cent. However, the most pronounced increase of 9.4 per cent was seen among accounts in arrears over 720 days. These now total 14,536 accounts or 10 per cent of the total stock of BTL mortgage accounts and 73 per cent of outstanding arrears. The outstanding balance on these accounts was €4.5 billion at end-June, equivalent to 16 per cent of the total outstanding balance on all BTL mortgage accounts. Consistent with the trends in PDH mortgages, BTL accounts in early arrears fell by 4.7 per cent in the second quarter of the year.

Restructuring Arrangements

A total stock of 23,790 BTL mortgage accounts were categorised as restructured at end-June 2014, reflecting an increase of 3.3 per cent from the stock of restructured accounts reported at end-March. Of the total stock of restructured accounts recorded at end-June, 60.5 per cent were not in arrears, while 75.7 per cent were meeting the terms of their restructure arrangement. A total of 5,734 new restructure arrangements were agreed during the first quarter of the year. Arrears capitalisation arrangements and reduced payment arrangements accounted for the majority of restructures in place for BTL mortgages with a 46.4 per cent share at end-June. The data on arrears and restructures indicate that of the total stock of 39,669 BTL accounts that were in arrears at end-June, 9,389 (23.7 per cent) were classified as restructured at that time.

Legal Proceedings and Repossessions

There were 568 BTL properties in the banks' possession at the beginning of Q2 2014. A total of 97 properties were taken into possession by lenders during the quarter, of which 23 were repossessed on foot of a Court Order, while the remaining 74 were voluntarily surrendered or abandoned. During the quarter 59 properties were disposed of. A further 5 properties in possession that were reported previously as PDH properties were reclassified as BTLs. As a result, lenders were in possession of 611 BTL properties at end-June 2014.

Residential Mortgages issued by Non-Bank Lenders

Non-bank lenders accounted for 3.2 per cent of the total stock of residential mortgage accounts outstanding at end-June 2014 (3.9 per cent in value terms). A total of 15,457 mortgage accounts issued by these lenders were in arrears of more than 90 days at end-June. The outstanding balance on these accounts was €3.3 billion, equivalent to 61 per cent of the total outstanding balance on all mortgage accounts issued by non-bank lenders.

[1] The Q2 data are impacted by reclassification adjustments and some estimation to cover loan books sold in recent quarters. These adjustments, which relate to less than 1 per cent of the total number of mortgage loans, are included to ensure coverage of all outstanding mortgages in Ireland, as far as possible. The Central Bank will continue to make every effort to minimise the impact of asset sales on the aggregate statistics.

[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. Please note that the figures for Q4 2013 include a small number of revisions.

[3] 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.

[4] This includes first-time restructures and further modifications of existing restructures.

[5] Sustainable solutions are defined on Page 25 of the Mortgage Arrears Resolution Targets document.

[6] It should also be noted that some categories reflect only a small number of arrangements, particularly in the case of BTL accounts.

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

Two Week Countdown to e-Day - National Payments Plan Calls on Business to “Join the evolution”

Issued on behalf of the National Payments Plan

3 September 2014

With just over two weeks to go until e-Day (September 19th) the National Payments Plan (NPP) with the support of the Department of Finance today issued a reminder to businesses and public sector bodies to ensure a smooth transition to electronic payments in their financial dealings with each other.

Minister of State at the Department of Finance Simon Harris TD noted the focus of e-Day is to encourage SMEs to move from cheques to e-payments, *"e-Day is the day on which Government departments, local authorities and other State agencies will stop sending and receiving cheques from businesses. This will be good for business; the cost of an e-payment is a fraction of the cost of a cheque payment. I encourage public sector bodies and businesses to engage with each other and their banks to ensure a smooth transition to modern payment methods."*

Today marks the start of a nationwide campaign entitled “Join the evolution” calling on businesses, to review the way they transact payments and look to e-payment options as the more efficient method of doing so.

Programme Manager for the National Payments Plan Ronnie O’Toole said: *“Although Irish businesses are already migrating away from cheques and towards e-payments, we are still one of the most cheque-intensive countries in Europe. e-Day will help Ireland continue its progression towards e-payments, and create a quicker, safer and less expensive payments environment.”*

In order to assist businesses to meet the e-Day requirements, the NPP has put in place a website www.jointheevolution.ie. Businesses are also advised to contact their own banks if they have additional queries.

The e-Day initiative was launched in September last year, a full twelve months in advance of e-Day to allow time for the necessary actions of the various agencies and businesses to take place.

The recent Cheque Survey by the Central Bank of Ireland shows that cheque volumes continue to decline in Ireland. Cheques issued in Ireland are projected to be 61 million in 2014, down from 69 million in 2013, and from 132 million in 2005. Based on the survey, cheques issued by businesses will be an estimated 28 million in 2014, down from 33 million in 2012. Business cheque usage is reducing faster than consumer usage, and this trend is expected to accelerate in the wake of e-Day.

The National Payments Plan targets savings of up to one billion euro per annum for the Irish economy, which can be achieved through a shift to electronic payments.

Notes to Editor

The e-Day campaign is being launched today (3 September) by Minister of State at the Department of Finance Simon Harris TD, and NPP Programme Manager Ronnie O'Toole.

The National Payment Plan's Vision for Payments

- Electronic forms of payment will be universally accepted, and be the preferred payment choice for most;
- Irish consumers and businesses will have access to the advantages of the most innovative payment methods, and the knowledge and confidence to fully utilise them;
- Payment systems will be robust and reliable;
- Pricing for payments will foster the migration from cash and cheques to cards and electronic payments;
- Cash will remain a widely used method of payment, and must be provided in an efficient, secure manner;
- Cheque usage will fall, though will remain available to those who wish to use them, and consumers will not be obliged to discontinue using them.

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

Quarterly Financial Accounts: Q1 2014

4 September 2014

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

Results summary:

Household Net Worth Continued to Increase During Q1 2014

- Household net worth rose by 0.9 per cent during Q1 2014, marking its seventh consecutive quarterly increase. At end Q1 2014, net worth stood at €508.5bn or €110,312 per capita.
- Household debt fell by €1.9bn during Q1 2014, representing a quarterly decline of 1.2 per cent. By end-Q1 debt stood at €164.3bn or €35,694 per capita.
- Household debt sustainability continued to improve during Q1 2014. Debt as a proportion of disposable income declined by 3 percentage points, falling to 184.5 per cent. The decline largely reflected the reduction in household debt and, to a lesser extent, a slight increase in disposable income of €185m.
- The domestic economy continued to be a net lender during Q1 2014, albeit to a lesser extent than in Q4.
- Non-financial corporation (NFC) debt as a percentage of GDP resumed a downward trend during Q1 2014, falling by 2.2 percentage points to reach 205 per cent.

1. Net Lending/Borrowing of All Sectors[1]

The domestic economy continued to be a net lender during Q1 2014, albeit to a much lesser extent than Q4. Over the quarter the combined deleveraging by households and non-financial corporates outstripped the net borrowing of government (Chart 1.1). This is the fourth consecutive quarter where the domestic economy was a net lender.

2. Private Sector Debt

Private sector non-consolidated debt[2] to GDP declined by 3.9 percentage points during Q1 2014 to stand at 298.3 per cent of GDP (Chart 2.1). This represented a decrease in debt of €3.4 billion over the quarter. Household debt and NFC debt fell by €1.5bn and €2bn respectively over the quarter.

Private sector indebtedness forms 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 sustainability, substantially lower than Ireland's 319.1 per cent. However, this threshold does not take account of the large Multinational Corporate sector in Ireland relative to GDP.[3]

3. Household Sector

Household net worth rose by 0.9 per cent during Q1 2014, marking its seventh quarterly consecutive increase (Chart 3.1). At end Q1 2014, net worth stood at €508.5bn or €110,312 per capita. Overall, net worth has risen by 13.7 per cent since Q2 2012. Increases in household financial assets (+€4.5bn) and the continued reduction in household liabilities (-€1.9bn) contributed towards the rise in net worth during Q1. The former partly reflected increases in the value of 'insurance technical reserves'[4] and 'shares and other equity'. The rise in net worth over the quarter was partly mitigated, however, by a decline in housing assets of €2.1bn. The latter reflected the decrease in national house prices during the first quarter of the year.

Household debt fell by €1.9bn during Q1 2014, representing a quarterly decline of 1.2 per cent (Chart 3.2). By end-Q1 debt stood at €164.3bn or €35,694 per capita. Overall household debt has decreased by 19.3 per cent since Q3 2008.

Indicators of household debt sustainability also continued to improve during Q1 2014 (Chart 3.3). Debt as a proportion of disposable income declined by 3 percentage points, falling to 184.5 per cent. The decline largely reflected the reduction in household debt and, to a lesser extent, a slight increase in disposable income of €185m. This measure of household debt sustainability was at its lowest level since Q4 2006 but continues to remain high by international standards[5]. Household debt to total assets fell by just 0.4 percentage points to 24.4 per cent. The decline was driven by the decrease in debt and an increase in the value of total household assets.

Household investment in financial assets fell slightly further during Q1 2014, totalling just €240 million (Chart 3.4). This represented the lowest level of investment in financial assets since Q3 2011. Investment in 'currency and deposits' totalled just €135m over the quarter. This represented a decline of €140m compared to the previous quarter. Meanwhile, investment in 'shares and other equity' and 'insurance technical reserves' remained largely unchanged.

Household net lending remained largely unchanged during Q1 at €1.7bn. Chart 3.5 shows that the decline in household investment in financial assets over the quarter was fully set off by increased repayments of liabilities by households. The latter stood at €1.5bn during Q1.

Combining household saving and gross capital formation[6] data from the CSO's non-financial accounts with households' transactions data from Central Bank of Ireland's Quarterly Financial Accounts allows for a decomposition of how households use their savings[7].

Chart 3.6 shows that, when measured as a four quarter moving average, household savings remained largely unchanged during Q1 2014, rising by just €70m, to reach €2.9bn. The rise was largely due to increased net debt repayments and a slight increase in investment in gross fixed capital formation (GFCF). The latter includes housing and related improvements and during Q1 was at its highest level since Q2 2011. The increase in debt repayments and GFCF was largely offset by reduced investment in financial assets.

4. Non-Financial Corporate Sector

Non-financial corporation (NFC) debt as a percentage of GDP resumed a downward trend during Q1 2014, falling by 2.2 percentage points to reach 205 per cent (Chart 4.1). This represented a decline in debt over the quarter of €1.5bn. The decline in debt partly reflected net debt repayments of €0.3bn, as well as, loan write-downs and reclassifications.

Irish NFCs continued to be the second most indebted in the EU during Q1 2014 (Chart 4.2). Luxembourg NFCs were by far the most indebted, with a debt to GDP ratio of 321 per cent. When comparing NFC debt across countries, it is important to note that both Luxembourg and Ireland have substantial multinational corporation activities relative to the size of their economies[8].

NFC debt relative to its financial assets and liabilities continued its downward trend during Q1 2014 (Chart 4.3). Both indicators have declined every quarter since Q3 2012. Debt as a percentage of financial assets fell to 45.1 per cent, due both to a rise in financial assets and a decline in debt. Debt relative to total liabilities decreased to 35 per cent, due to both the decline in debt and the further increase in total liabilities. The latter largely reflected an increase in the value of 'share and other equities'.

5. Further information

Euro area statistics are available from www.ecb.int

[1] A positive value indicates that a sector is a net lender and 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.

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

[3] The private sector debt indicator is examined in M. Cussen (2014) 'Deciphering Ireland's Macroeconomic Imbalance Indicators', Central Bank of Ireland Conference – Macro to Micro – A New Era in Financial Statistics.

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

[5] A cross country comparison for Q2 2013 is contained in A. Kelly and O' Leary B. (2014) 'Box B: Analysis of Recent Trends of Household Debt Reduction'. Central Bank of Ireland, Quarterly Bulletin, Q1.

[6] Gross capital formation consists of acquisitions of fixed assets less disposals. It includes acquisitions of dwellings.

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

[8] The impact of MNCs on NFC debt is analysed in detail in: Cussen M., and O' Leary B. (2013), 'Why are Irish Non-Financial Corporates so Indebted?', Central Bank of Ireland, Quarterly Bulletin No. 1.

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

Trends in Business Credit and Deposits: Q2 2014

5 September 2014

Gross new lending advanced by Irish credit institutions to SMEs was up in the first half of 2014 when compared to the first half of 2013. Outstanding credit to large enterprises and SMEs declined in both annual and quarterly terms. Strong annual non-financial deposit growth continued, with a marked increase over the first half of 2014.

Summary

- Gross new lending to non-financial, non-property related SMEs amounted to €1.1 billion over the first six months of 2014; this was slightly above the €0.9 billion of new lending over the first half of 2013. Agriculture continues to comprise the largest share of gross new lending.
- Credit to non-financial, non-property SMEs registered a decline of 1.5 per cent during Q2 2014, to stand at €22.6 billion. In annual terms there was a fall of 4.6 per cent which compares with a decline of 5.8 per cent over the year to end-Q2 2013.
- Credit advanced to all non-financial, non-property related enterprises decreased by 1.9 per cent over the quarter, and by 5.2 per cent over the year to end-Q2 2014, bringing the stock of credit to €34 billion. An annual decline of 4.6 per cent was registered for end-Q2 2013.
- Property-related lending to all enterprises was 3.9 per cent lower over the second quarter of 2014, following a decrease of 1.7 per cent during Q1. Property-related lending to SMEs fell by 4.3 per cent during Q2 2014. Repayments exceeded drawdowns for this sector by the largest amount since 2009.
- Deposits from non-financial Irish resident private-sector enterprises increased 7.9 per cent during Q2 2014, to stand at €41.7 billion. In annual terms, deposits from non-financial enterprises increased by 14.6 per cent in the year to end-Q2 2014, which compares to 4.8 per cent at end-Q2 2013.

Credit Advanced to SMEs

- Irish SME's accounted for 38 per cent of all credit advanced to private sector enterprises by resident credit institutions. The outstanding amount of credit advanced to Irish SMEs was €61.4 billion at end-Q2 2014, which represented a decrease of 2.7 per cent over the quarter (minus 1.3 per cent in Q1). In annual terms, outstanding credit fell by 6.2 per cent over the year to end-June.

- SME credit data includes lending to some enterprises in the financial intermediation sector, as their balance sheet size brings them into the SME category. Excluding the financial intermediation sector, credit outstanding to SMEs accounted for 66 per cent of all non-financial credit advanced (€50.1 billion) at end-June. SME non-financial credit fell by 3.1 per cent during the quarter and by 6.8 per cent over the year reflecting net repayments of €1.7 billion and €3.9 billion, respectively.
- Property-related lending to SMEs, which includes the construction and real estate activities sectors, constitutes the largest share of outstanding loans to non-financial SMEs, at 55 per cent (€27.4 billion). Lending to SMEs in these sectors fell by a combined 8.5 per cent over the year to end-Q2 2014, a net flow of minus €2.7 billion (i.e. repayments exceeded drawdowns). Over the quarter, property-related SME lending fell by 4.3 per cent (€1.3 billion), compared with a decline of 2.3 per cent over the first quarter of 2014.
- Credit advanced to non-property, non-financial private-sector SMEs fell by 4.6 per cent (€1.2 billion) in the year to end-Q2 2014, to stand at €22.6 billion. The net increase of 0.1 per cent (€32 million) over the previous quarter was not sustained in the second quarter of 2014, as SME repayments exceeded drawdowns by €368 million (1.5 per cent). SMEs accounted for 67 per cent of all non-financial, non-property credit.
- In terms of net lending or repayment positions, SMEs were net borrowers in three non-financial, non-property related sectors during Q2 2014. There was an increase in net flows to manufacturing, and transportation and storage enterprises of €12 million and €9 million, respectively. Information and communication also recorded a positive, albeit smaller, net flow (€1 million). All other sectors registered a negative flow, with the hotel and restaurant sector registering the largest non-financial, non-property decline (€110 million).
- Looking at gross new lending, a total of €540 million was drawn-down in new loans to SMEs in the non-property, non-financial sectors during Q2 2014. This refers to the drawdown of loans which were not part of the closing stock of lending for the previous quarter (excludes the restructuring or renegotiation of existing facilities). This was equivalent to 2.2 per cent of the previous quarter stock of credit and represents a 31 per cent increase when compared with gross credit advanced in Q2 2013. The agriculture sector continued to constitute the largest share of new SME lending during the quarter (€141 million), followed by wholesale/retail trade and repairs (€78 million).
- Please note that caution is warranted in the interpretation of end-Q2 2014 outstanding stock figures. This is due to the impact of reclassifications and loans sales during the quarter. True underlying credit developments are, however, captured by the ‘transactions’ series.

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 €160.1 billion at end-June 2014. Approximately 53 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 €76.1 billion at end-June.
- Outstanding credit to the non-financial private-sector declined 7.1 per cent in the year to end-June 2014, equivalent to a net annual flow of minus €6.5 billion. The decline was largely driven by real estate credit, which fell by 8.1 per cent (€4 billion) over the year.
- Excluding property-related (real-estate and construction) and financial sectors, credit advanced to Irish private-sector enterprises stood at €34 billion at end-June, representing an annual decline of 5.2 per cent (€2 billion). Annual developments were mainly driven by declines in credit advanced to the hotels and restaurants sector, which fell 9.8 per cent and the wholesale/retail trade & repairs sector (3.7 per cent). These sectors constituted 17.7 per cent and 22 per cent, respectively, of the outstanding amount of credit to non-property, non-financial enterprises at end-June.
- On a quarterly basis, non-property, non-financial loan repayments exceeded drawdowns over the three-months to end-June by €686 million. This was mainly due to a negative net flow of €297 million in the wholesale/retail trade & repairs sector, which corresponds to a 3.7 per cent decline. Three non-financial, non-property related sectors registered a positive net lending flow during Q2 2014. The electricity, gas, steam and air conditioning supply sector recorded the largest net flow of €239 million. The remaining two sectors had a combined positive net flow of €34 million.
- Credit advanced to the traditional sectors of agriculture and manufacturing were 2.4 per cent and 5.9 per cent lower, respectively, on an annual basis at end-June 2014; this followed an annual decline of 2.1 per cent and 6.4 per cent, respectively, at end-March 2014. Combined, these sectors accounted for 25 per cent of the outstanding amount of credit to non-property, non-financial enterprises at end-June 2014.
- Please note that caution is warranted in the interpretation of end-Q2 2014 outstanding stock figures. This is due to the impact of reclassifications and loans sales during the quarter. True underlying credit developments are, however, captured by the ‘transactions’ series.

Deposits from Irish Resident Private-Sector Enterprises

- Deposits from Irish private-sector enterprises declined during Q2 2014 by €5.2 billion (5.6 per cent) to stand at €88.1 billion. In annual terms, there was a fall in deposits from Irish resident private-sector enterprises of 5.7 per cent at end-June, which compared to an annual increase of 1.2 per cent at end-Q1.

- The financial intermediation sector (excluding monetary financial institutions) mainly accounted for the developments in annual deposits, with a decline of €10.6 billion (18.6 per cent) over the year. This was mainly driven by a €8.3 billion fall in deposits in Q2, which included the impact of the wind-down of the Irish Bank Resolution Corporation (IBRC).
- Excluding financial intermediation, deposits from private-sector enterprises increased by 14.6 per cent (€5.3 billion) in the year to end-Q2 2014, to stand at €41.7 billion. On a quarterly basis, deposits from these sectors expanded by 7.9 per cent (€3.1 billion); the largest quarterly increase registered since 2005.
- Deposits from eleven of the fifteen non-financial sectors increased in Q2, with the largest increase from enterprises engaged in electricity, gas, steam and air conditioning supply (€751 million), followed by enterprises engaged in business and administration (€699 million). The largest decrease in deposits during the quarter was in the other community, social and personal services sector (€150 million). This sector had registered the largest increase in the Q1 2014.

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

Trends in Personal Credit and Deposits: Q2 2014

8 September 2014

Credit to Irish private households continued to decline in both annual and quarterly terms. The annual rate of change in personal deposits also declined, albeit at a reduced rate.

Summary

- Total credit to Irish private households outstanding on the balance sheet of resident credit institutions was €94.5 billion at end-June 2014, representing a quarterly decline of 0.8 per cent and an annual decline of 3.6 per cent.
- The total amount of loans outstanding for house purchase, including loans that have been securitised and continue to be serviced by resident credit institutions, stood at €118.9 billion at end-June 2014, down from €121.9 billion in Q1 2014.
- The total deposits held in resident credit institutions by Irish private households were €85.9 billion at end-Q2 2014, representing an annual decrease of 0.5 per cent.

Credit Advanced to Private Households – Loans for House Purchase

The analysis below relates to on-balance sheet lending, unless otherwise indicated.

- The annual rate of change in loans for house purchase remained at minus 3.1 per cent at end-June 2014. There was a quarterly decline of 0.7 per cent, which represents the eighteenth consecutive quarterly decline. The outstanding amount of on-balance sheet loans for house purchase stood at €80.9 billion at end-June. A further €38 billion of securitised mortgages, which continue to be serviced by resident credit institutions, was also outstanding.
- Floating rate mortgages, which include standard variable rate, tracker rate, and mortgages with a fixed rate up to one year[2], declined by €527 million over the quarter and accounted for 93 per cent of the outstanding amount of loans for house purchase at end-June 2014. Tracker mortgages alone accounted for 49 per cent of outstanding house purchase loans and recorded a €816 million decrease in Q2. Standard variable rate mortgages decreased by €45 million during Q2, and accounted for 42 per cent of outstanding house purchase loans at end-June.
- Fixed rate mortgages accounted for 7 per cent of the outstanding amount of loans for house purchase at end-June 2014, following a net decline of €57 million during the quarter. The quarter-on-quarter

decline was mainly driven by the over one and up to three year fixed rate category which registered a net decline of €62 million.

- Loans for principal dwellings, which accounted for 76 per cent of loans for house purchase at end-June, fell by €220 million over the quarter. This reflected a fall of €199 million in floating rate mortgages and a fall of €21 million in fixed rate mortgages. The annual rate of decline in loans for principal dwellings was 2 per cent in Q2 2014, which follows a 2.2 per cent decline in Q1 2014.
- Tracker mortgages and standard variable rate mortgages on principal dwellings fell by €537 million and €1 million, respectively during Q2, while mortgages fixed for up to one year increased by €339 million. Floating rate mortgages accounted for 93 per cent of the outstanding amount of loans for principal dwellings at end-June. For securitised mortgage pools, the share of floating rate mortgages for principal dwellings was slightly higher at 96 per cent (Chart 3).
- The outstanding amount of loans for buy-to-let residential properties (representing 23 per cent of loans for house purchase) fell by €342 million over the quarter, to stand at €18.6 billion at end-June. This decline reflected a fall of €307 million in floating rate mortgages, the majority of which was seen in the tracker mortgage category. Floating rate mortgages accounted for 97 per cent of the outstanding amount of loans for buy-to-let properties at end-Q2. These floating rate loans were composed of 66 per cent tracker mortgages and 33.5 per cent standard variable mortgages. There was an annual decline of 5.9 per cent in loans for buy-to-let residential properties at end-Q2.
- Loans for holiday homes/second homes accounted for 1 per cent of loans for house purchase at end-June 2014. Floating rate mortgages accounted for 95 per cent of the outstanding amount of loans for holiday homes/second homes at end-June. Of these floating rate loans, 57 per cent were tracker mortgages and 43 per cent were standard variable mortgages. The annual decline in loans for holiday homes/second homes was 12.2 per cent at end-Q2.

Credit Advanced to Private Households – Other lending

- Non-housing related lending, or 'other personal' lending, accounted for 14 per cent (€13.6 billion) of total on-balance sheet credit advanced to Irish private households by resident credit institutions at end-June 2014.
- Lending in this category fell by 6.2 per cent in the year to end-June. This followed an annual decrease of 6.5 per cent at end-March 2014.
- Non-housing related lending to private households peaked in Q1 2009 at €28.9 billion. By end-June 2014, it had declined by 34 per cent.
- Non-housing related lending to private households declined by €169 million during Q2 2014 (1.2 per cent). This reflected a decline in both finance for investment purposes, and finance for other non-housing related purposes of €57 million and €112 million, respectively.

Deposits from Private Households

- The deposits held in resident credit institutions by Irish private households stood at €85.9 billion at end-June 2014. This represents an increase of €232 million (0.3 per cent) during the quarter.
- The outstanding amount of personal deposits was 0.5 per cent lower on an annual basis at end-June 2014; the year-on-year decline at end-March 2014 was 1.5 per cent.

The extensive set of Private Credit and Deposits Statistics tables, along with a detailed set of explanatory notes are available here.

[1] Chart relates to on-balance sheet lending.

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

[3] Changes in outstanding amounts need to be interpreted with caution, as they are increasingly influenced by reclassifications, including loan sales and changes in reporting population. Transactions and growth rates are better measures of activity over any given period.

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

Security Issue Statistics – July 2014

10 September 2014

Trends in Market-based Financing of all Irish-resident Entities:

- The outstanding amount of debt securities issued by Irish firms and by the Government sector was €862.1 billion at end-July 2014, a decrease of 4 per cent year-on-year. The outstanding amount of debt securities issued by euro area residents decreased by 0.5 per cent. The outstanding amount of Irish debt securities issued increased by 3.5 per cent in July. However, this is predominantly due to technical reclassification issues in June[1].
- Market-based debt financing for the banking sector stood at €69.8 billion in July 2014, an increase of 1 per cent year-on-year.
- Equity shares had an outstanding value of almost €319.8 billion at end-July. Quoted shares (€319.5 billion), which are predominant in the equity category, saw a year-on-year increase of 39 per cent. Likewise, the value of the stock of quoted shares issued by euro area residents increased by almost 20 per cent.

Banking Sector

Market-based debt financing for the banking sector decreased by €1.5 billion in July 2014 (compared to an increase of €337 million in June).

Since June 2013, the outstanding amount of debt securities for the banking sector has increased by 1 per cent to €69.8 billion with short-term debt contracting by 26 per cent (Chart 1 and 2). Over the past 12 months, the total outstanding amount of debt securities for this sector across the euro area decreased by approximately 7 per cent. This reflects continuing deleveraging in the banking sector.

The market value of equity securities in the banking sector saw a year-on-year increase of 20 per cent[2] to €20.9 billion (Chart 3). This increase is primarily as a result of valuation changes.

Non-Financial Corporations

The outstanding amount of debt securities issued by non-financial corporations (NFC) increased to almost €9.5 billion in July 2014 (Table 1).

In July 2014, the value of the quoted shares issued by the NFC sector decreased to €281 billion. This represented a year-on-year increase of 43 per cent (Chart 4).

The annual percentage change in market capitalisation for NFCs in the euro area was approximately 18 per cent.

[1] Data are subject to revisions.

[2] As per compilation methodology utilised by the Central Bank of Ireland

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

Holders of Irish Government Bonds - July 2014

10 September 2014

Key Developments

- The nominal value outstanding of government bonds was €112,240 million at end July 2014, broadly unchanged from end-June.
- Residents held 47.1 per cent of Irish government bonds with credit institutions and the Central Bank of Ireland accounting for 92 per cent of these holdings.

Outstanding government bonds stood at €112,240 million in July 2014, with 9 per cent due to mature in less than three years. At end-July 2014, resident holders held 47.1 per cent of long-term Irish government bonds. Resident credit institutions and the Central Bank of Ireland, account for 92 per cent of resident holdings.

The resident non-bank financial sector reported holdings of €2,662 million in July 2014. The holders within this sector were predominately other financial intermediaries at €930 million (Chart 1).

30 per cent of outstanding Government bonds will mature within the next 5 years (Table 1). 24 percent of resident holders fall under this maturity category, while the equivalent ratio for non-resident holders is higher at 36 per cent. Furthermore, 31 per cent (or €18.3 billion) of long-term bonds held by non-resident investors will mature from 2023 onwards (Chart 2).

Notes to editors:

This data series was published for the first time in February 2014. The new series is based on different source information, so it is not directly comparable with previous publications. Care should, therefore, be exercised in comparing the new series with earlier publications.

This has arisen due to the introduction of the Securities Holdings Regulation by the ECB in December 2013. The dataset is compiled from data submitted by all custodians resident in Ireland, direct reporting by end investors and information from the Government Bond Register held by the Central Bank to provide breakdowns by maturity and by holding sector.

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

Locational Banking Statistics – Q2 2014

11 September 2014

Total External Position[1][2]

- Total external assets of banks resident in Ireland stood at €364 billion at the end of the second quarter, a decrease of 9 per cent since the second quarter of 2013.
- Total external liabilities of resident banks as at the end of the first quarter stood at €357 billion, down 5 per cent from the previous year.
- In the second quarter of 2014, banking offices resident in Ireland reported total profits of €294 million. Since Q2 2013, account fees and charges have increased by 16 per cent to €118 million while total operating income increased by 5 per cent to €2.9 billion.

Total External Assets

Total external assets of banks resident in Ireland stood at €364 billion at the end of the first quarter, a decrease of approximately 9 per cent since Q2 2013. Domestic market[3] banks accounted for €103 billion, or 28 per cent, of total external assets (Chart 1).

Total external loans and deposits (assets) stood at €218 billion at the end of Q2, a decrease of 8 per cent over the year. The banking sector was the largest counterparty sector accounting for approximately €151 billion or 69 per cent of total external loans and deposits (Chart 2).

Resident banks external holdings of debt securities stood at €109 billion at the end of the second quarter, a reduction of 7 per cent since Q2 2013. IFSC banks account for 81 per cent of debt securities holdings. Approximately €26 billion of total debt securities held were vis-à-vis Italy, representing 24 per cent of total external debt securities held.

Total External Liabilities

Total external liabilities of resident banks at the end of Q2 stood at €357 billion, down 5 per cent from the previous year. IFSC banks accounted for €256 billion, or 72 per cent, of total external liabilities (Chart 3).

External loans and deposits (liabilities) stood at €231.7 billion at end-Q2, representing 65 per cent of total external liabilities. The banking sector was the largest counterparty sector for external loans and deposits (liabilities) accounting for approximately 65 per cent of total amount outstanding (Chart 4).

The market value of debt securities issued was €51 billion at the end of Q2 2014 with IFSC banks accounting for 71 per cent of these liabilities. The United Kingdom was the largest holder of these securities, holding €29 billion, or 58 per cent of the total external debt securities issued (Table 2).

Income Statement

In Q2 2014, banking offices resident in Ireland reported a cumulative total operating income of €2.9 billion, an increase of almost 5 per cent on the previous year (Table 3).

Since Q2 2013, interest income has fallen by 16 per cent while account fees and charges have increased by nearly 16 per cent, albeit from a low base, to €118 million. Domestic market banks account for 94 per cent of account fees and charges.

In Q2 2014, General operating expenses have decreased from Q2 2013 by 14 per cent to €1.5 billion. Total profits for all banking offices resident in Ireland was €294 million.

[1] Comprises all banks resident in Ireland, please note Credit Unions are excluded from these statistics.

[2]Resident bank's asset and liability positions with non-residents in all currencies and residents in foreign currency.

[3] Domestic market banks are banks that 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.

Retail Interest Rate Statistics: July 2014

12 September 2014

Key Developments[1]

- The weighted average interest rate on outstanding loans to households for house purchase remained stable at 2.73 per cent at end-July. The equivalent euro area rates were 53 basis points higher at 3.26 per cent. The interest rate on new loan agreements to households for house purchase[2], with either a floating rate or initial rate fixation of up to one year, rose by 14 basis points to 3.29 per cent at end-July 2014.
- The weighted average interest rate on total outstanding household term deposits continued to decline to 1.89 per cent at end-July. There is tentative evidence that household deposit volumes are moving from medium-term categories towards the overnight category, highlighting the low deposit rates currently on offer across all maturities.
- The weighted average interest rate on new loan agreements to NFCs up to €1 million (often used as a proxy for SME lending) increased by 33 basis points to stand at 5.23 per cent at end-July.

Households

Loans to Households

The interest rate on new loan agreements to households for house purchase, with either a floating rate or initial rate fixation of up to one year, was 3.29 per cent at end-July 2014, representing a 14 basis point increase from the corresponding rate in June. The corresponding interest rate at end-July for the euro area was 66 basis points lower at 2.63 per cent. Loans in this category accounted for almost 89 per cent of all new mortgage business in the domestic market over the past year. In contrast, floating rate loans in the euro area accounted for 27 per cent of new mortgage business over the same period.

The weighted average interest rate on outstanding loans to households for house purchase declined to 2.73 per cent at end-July 2014, falling by just one basis point since June. The corresponding end-June interest rate for the euro area was higher, at 3.26 per cent. Interest rates on outstanding mortgages in Ireland have tended to follow movements in the ECB's main refinancing rate (MRO) more closely than equivalent euro area rates due to the higher proportion of tracker and other variable rate mortgage products in the domestic market (Chart 1). However, more recently, this traditional relationship is seen to have weakened.

The weighted average interest rate on new loans to households for non-housing purposes increased by 114 basis points over the month, to stand at 7.54 per cent. The corresponding euro area interest rate declined by 13 basis points at end-July, to stand at 4.56 per cent. It should be noted that new business volumes for loans to households for non-housing purposes have been particularly low in recent years, resulting in pronounced volatility in the series.

The weighted average interest rate on outstanding amounts of non-housing related loans was 7.37 per cent in July 2014, representing a 25 basis point increase over the month, and a 104 basis point rise since July 2013. This year-on-year increase was reflected across all three maturity categories of loans for consumption and other purposes, with loans in the medium-term category (fixation period of one to five years) exhibiting the most pronounced increase. The corresponding end-July rate for all non-housing loans in the euro area was 188 basis points lower than the Irish rate at 5.49 per cent.

Deposits from Households

The interest rates on new household term deposits fell by six basis points to 0.59 per cent at end-July 2014. This also represented a year-on-year decrease of 17 basis points.

The weighted average interest rate on total outstanding household term deposits continued to fall in July to 1.89 per cent, representing a 164 basis point fall since their last increase in April 2012. Over the past number of months, there has been some evidence of movement from deposits in the medium-term category towards the overnight category, emphasising the low interest-rate environment. At end-July 2014, interest rates on deposits with agreed maturity up to two years stood at 1.92 per cent, representing a 69 basis point decrease since end-July 2013.

Non-Financial Corporations (NFCs)

Loans to NFCs

The weighted average interest rate on new loan agreements to NFCs up to €1 million (often used as a proxy for SME lending) increased by 33 basis points since June, standing at 5.23 per cent at end-July. The corresponding interest rate charged by euro area credit institutions in July was 168 basis points lower at 3.55 per cent.

In terms of new business for NFC loans above €1 million, the weighted average interest rate decreased by 32 basis points to 3.21 per cent at end-July. The volumes in new business categories have been particularly low, resulting in pronounced month-on-month volatility. The equivalent euro area interest declined by 10 basis points in July 2014, standing at 2.06 per cent.

The weighted average interest rate on outstanding loans to NFCs issued by Irish-resident credit institutions increased by 4 basis points to 3.18 per cent at end-July 2014 (Chart 2). The twelve-month average for this rate was 3.07 per cent. The euro area weighted average interest rate for the month of July was 3.19 per cent.

Deposits from NFCs

The interest rate on new term deposits from NFCs increased by three basis points to 0.41 per cent at end-July 2014. This rate has been relatively stable over the past year, recording a twelve-month average of 0.44 per cent. The equivalent monthly rate offered by euro area credit institutions was higher at 0.62 per cent at end-July2014.

The weighted average interest rate on outstanding NFC term deposits fell by three basis points to 1.28 per cent at end-July 2014. This represents a fall of 46 basis points since July 2013. Annual developments were driven by deposits with agreed maturity of up to two years, which account for over 94 per cent of all NFC term deposits.

Note:

Retail Interest Rate Statistics cover all euro-denominated lending to, and deposits from, households and non-financial corporations (NFCs) in the euro area by credit institutions resident in Ireland. Interest rates on outstanding amounts cover all loans and deposits outstanding on the last working day of the month, while interest rates applicable to new business volumes cover all new loan and deposit business agreed during the month.

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 renegotiation of existing deposits and loans. Automatic renewals of existing contracts, which occur without any involvement by the customer, are not included in new business. 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.

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

[2] In the MIR framework, new loan agreements to households for house purchase with either a floating or initial rate fixation period of up to one year, is broader in scope than just 'new mortgages', issued at variable interest rates. There are a number of factors that can lead to differences between MIR statistics and interest rates advertised by resident credit institutions including renegotiated loans, the inclusion of home improvement loans, and the underlying MIR compilation methodology.

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

New Research on a Long-Run Survival Analysis of Corporate Liquidations in Ireland

17 September 2014

The Central Bank of Ireland today publishes a new Research Technical Paper on "A long-run survival analysis of corporate liquidations in Ireland" (Research Technical Paper: 10/RT/14).

The research conducts a survival analysis of insolvent liquidations in Ireland to determine the causes of firm failure during the prolonged economic downturn following the crisis. The research uses a measure of corporate sector distress – insolvent liquidations – which captures both bank and non-bank forms of credit.

The main findings of the research are as follows:

- After taking account of firm location and economic sector, both macroeconomic conditions and bank credit conditions are determinants of firm survival.
- In terms of macroeconomic factors, variables which capture the build-up in distress, such as the unemployment rate, explain the behaviour of insolvent liquidations better than variables which only capture short-term fluctuations in economic activity.
- In terms of credit conditions, insolvencies are affected by the pro-cyclicality of bank credit standards and availability throughout the cycle. In particular:

- Firms that are 'born' during boom periods when credit standards are loose, are more likely to become insolvent than those 'born' when credit standards are tighter.

- A reduction in bank credit availability at any point in time also decreases the probability of firm survival.

Further information: Press Office: (01) 224 6299; press@centralbank.ie

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

Consolidated Banking Statistics: Foreign Claims – Q2 2014

18 September 2014

- Domestic banks'[1] foreign claims increased during Q2 2014; there was a 2.6 per cent rise over the quarter bringing the outstanding amount of claims on foreign residents to €95 billion at end-June 2014. The quarterly increase reflects the rise in claims on foreign public and private sectors which were only partially offset by a slight reduction in claims on foreign credit institutions. A significant proportion of the increased foreign claims related to claims on the US.
- The outstanding amount of foreign claims classified as local[2] declined by 10.7 per cent in the twelve months to June 2014, while cross-border[3] claims increased by 13.5 per cent over the same period. This continues a pattern of retrenchment in local markets, although this is somewhat offset by a tentative pick-up in cross-border lending.
- Domestic banks' largest foreign claims continue to be on the UK which accounts for 73 per cent of foreign claims; the majority of which are vis-à-vis the non-bank private sector.

At end-June 2014, domestic banks had foreign claims of €95 billion, representing a quarter-on-quarter increase of over €2 billion; this follows a €140 million decrease in foreign claims in Q1 2014. Developments in Q2 were mainly driven by increased claims on foreign public and private sectors each of which rose by €1.4 billion over the quarter, in the case of the former this represented an 11.7 per cent increase and a 1.9 per cent increase for latter. Meanwhile, claims on foreign banks fell during Q2 2014 by €332 million (3.3 per cent). Claims on foreign private sectors are predominant, accounting for 76 per cent of total foreign claims at end-June. Claims on foreign public sectors and credit institutions are relatively small in comparison, accounting for 14 and 10 per cent, respectively, of total foreign claims. At end-Q2 2014 total foreign claims reported a quarter-on-quarter increase of 2.6 per cent, despite this, foreign claims continued to decline on an annual basis with a year-on-year decline of 4.3 per cent. The annual reduction in total foreign claims is expected, given that the domestic banking groups continue to downsize their operations abroad.

Consistent with the recent trends, the end-June 2014 data show that local claims, at €66 billion, were far greater than cross-border claims which stood at €30 billion. Over the years from September 2009 to December 2012, cross-border credit declined at a much faster annual rate than local claims. However, 2013 saw a reversal of this trend, with the annual rate of decline in local claims outpacing that of cross-border claims. In Q1 2014 the annual rate of change for cross-border claims turned positive, this trend continued into Q2 with June 2014 recording a year-on-year growth rate of 13.5 per cent in cross-border claims. Meanwhile local claims showed an annual decline of 10.7 per cent at end-June 2014.

The domestic banks' largest foreign claims are on the United Kingdom (including Northern Ireland), with exposures of €70 billion at end-June 2014. Foreign claims on the UK increased by 0.3 per cent over the quarter. This was driven by an increase in claims on the UK private sector which was only partially offset by reduced claims on UK credit institutions and UK public sectors. Chart 2 shows that the vast majority of the domestic banks' claims on the UK are on the non-bank private sector, while exposures to credit institutions and the public sector are very small relative to overall UK exposures.

There was a 24.1 per cent or €773 million increase in claims on the US over Q2 2014 – which only partially offsets the large reduction in US foreign claims in Q1. Developments in Q2 mainly reflected increased claims on the US private sector.

France, the Netherlands, Spain and the Isle of Man were also important locations for foreign claims of Irish banks at end-Q2 2014. The cumulative change in the domestic banks foreign claims on these four countries was €421 million over the second quarter of 2014. Foreign claims on the Netherlands, Spain and France increased by 11.6 per cent, 8.5 per cent and 2.7 per cent, respectively over the quarter. Meanwhile, claims on the Isle of Man decreased by 4.9 per cent over the quarter. This marks the first increase in foreign claims on Spain since Q3 2008.

[1] In this case, the Central Bank of Ireland defines domestic banks as those banks whose ultimate parent entity is resident in Ireland.

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

[3] Cross-border claims cover exposures where the country of ultimate risk differs from the residency of the bank office making the loan.

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

NPP issues Final Reminder to Businesses to "Join the Evolution" on e-Day

19 September 2014

The National Payments Plan (NPP) has issued a reminder to businesses and public sector bodies that e-Day comes into effect from today (19 September).

e-Day marks the day that public sector bodies stop sending cheques to and receiving cheques from businesses. The "join the evolution" campaign, organised by the NPP, calls on businesses to review the way they transact payments and look to cards and e-payments as the most efficient alternatives.

Programme Manager for the NPP Ronnie O'Toole said: "The feedback so far suggests the e-Day transition is going well, but SMEs are still the biggest users of cheques in Ireland. This decision that Government agencies will no longer make or receive cheque payments from 19 September will provide the impetus for Irish business to switch from a 'cheque in the post' mentality to a culture of 'pay-on-time, pay-on-line'."

In order to assist businesses to meet the e-Day requirements, the NPP has put in place a website jointheevolution.ie. Businesses are also advised to contact their own banks if they have additional queries.

The e-Day initiative was launched in September last year to allow time for the necessary actions of the various State agencies and businesses to take place.

The Central Bank's Cheque Survey 2014 shows that cheque volumes continue to decline in Ireland. Cheques issued in Ireland are projected to be 61 million in 2014, down from 69 million in 2013, and from 132 million in 2005. Based on the survey, cheques issued by businesses will be an estimated 28 million in 2014, down from 33 million in 2012. Business cheque usage is reducing faster than consumer usage, and this trend is expected to accelerate in the wake of e-Day.

The NPP targets savings of up to €1 billion per annum for the Irish economy, which can be achieved through a shift to e-payments.

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

Central Bank of Ireland Launches Consultation on Fund Management Company Effectiveness

19 September 2014

The Central Bank has today (19 September) published a consultation (CP86) entitled 'Fund management companies effectiveness – delegate oversight'.

The consultation focuses on four key measures:

- Draft guidance on good practices for the oversight of the activities of delegates;
- Streamlining of the number of designated managerial functions;
- Adjusting the requirement for Irish resident directors; and
- A new requirement to document the rationale for the composition of the board.

The aim of these measures is to encourage and support the continuous improvement of fund management company effectiveness by providing guidance on good practices, removing overlapping managerial functions, widening the net for potential fund management company directors and tightening the authorisation process.

The Central Bank welcomes comments and views from all interested parties.

The closing date for submissions on this Consultation Paper is 12 December 2014.

Further information: Press Office: (01) 224 6299; press@centralbank.ie

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

New €10 Notes to Enter into Circulation Today

23 September 2014

The Central Bank of Ireland has announced that the new €10 banknote will enter into circulation across Ireland and the euro area today.

The new €10 note will circulate alongside the existing €10 note. There is no change to the status of existing €10 notes which will remain legal tender.

This note is the second in the 'Europa series' of banknotes, following the introduction of the new €5 note in May 2013. This series of banknotes offers enhanced security features and durability.

The new note is the same size and is similar in appearance to the existing note, but it has a number of new security features. These features are also present on the Europa Series €5, and include:

- a portrait watermark of the Greek goddess Europa;
- raised lines along the sides of the note;
- a shiny emerald colour number; and
- a portrait hologram of Europa.

Since January 2014, the Central Bank has actively engaged with stakeholders to support them in their efforts to be ready for the new banknote.

For further details on the new €10 note and the Europa series of banknotes, visit www.new-euro-banknotes.ie.

Further information: Press Office: (01) 224 6299; press@centralbank.ie

Notes to editors

Security features

The note is easy to check using the FEEL, LOOK and TILT approach.

FEEL

Feel of the paper – Feel the banknote. It is crisp and firm.

Raised print – the main image, the lettering and the large value numeral feel thicker.

What's new - On the new banknote, there is a series of short raised lines on the left and right edges.

LOOK

Portrait – Look at the banknote against the light. A faint image showing the value of the banknote and a window becomes visible.

What's new? – On the new banknote, a portrait of Europa is also visible.

Security Thread - Look at the banknote against the light. The security thread appears as a dark stripe and the value of the banknote can be seen in tiny white lettering.

What's new? - The € symbol can be seen in the security thread on the new banknote, while the word 'EURO' appears in the banknotes of the first series.

TILT

Hologram - Tilt the banknote. The silvery stripe on the right reveals the value of the banknote and the € symbol.

What's new – Portrait hologram on the new banknote, a portrait of Europa and a window also appear.

Emerald number - tilt the banknote. On the new banknote, the shiny number in the bottom left corner displays an effect of the light that moves up and down. The number also changes colour from emerald green to deep blue.

Some interesting facts about the Euro

- The total number of €10 banknotes in circulation in the euro area was 2.1 billion as at end-August 2014. (As euro banknotes circulate throughout the euro area, it is not possible to provide a specific circulation figure for Ireland.)
- Euro banknotes and coins have been in circulation since January 2002.
- 16.6 billion banknotes are in circulation with a €971 billion face value (as at end-August 2014)

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

Central Bank Publishes New Research on Policy Analysis using DSGE Models

24 September 2014

The Central Bank of Ireland today publishes new research on policy analysis using DSGE models. 'EIRE Mod: A DSGE model for Ireland' describes the development of a DSGE model calibrated for Ireland and highlights its policy analysis capabilities by examining the impact of structural reforms. EIRE Mod is intended as a first step towards a set of more detailed DSGE models for Ireland. Therefore it will be the basis for a set of extensions focusing on the financial sector, the labour market, the housing market and fiscal policy.

'The effects of government spending in a small open economy within a monetary union' analyses the impact that public expenditure can play in boosting growth.

The key findings of the research are as follows:

- Structural reforms aimed at boosting productivity and (price and wage) competitiveness lead to the desired increase in output.
- However, differing transmission channels for the shocks have contrasting implications for Ireland's external competitiveness and employment.
- Given that the MTES commits to a strategy of export-led growth and full employment, the reforms implemented under this programme need to be carefully assessed to ensure that they do not lead to counter-productive effects in the export sector and employment.
- The size of fiscal multipliers is affected by the degree of complementarity between public and private spending and the proportion of public spending on exports.
- Productive government investment can reduce the costs of the private sector, boost external competitiveness and help reducing imbalances.
- Over the medium to long run, a reduction in government investment is more harmful to the economy than cuts in consumption.
- Spillovers from a fiscal stimulus in one region of a monetary union depend on trade linkages and can be sizeable.

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

Central Bank Releases New Research on Consumer Spending

30 September 2014

The Central Bank of Ireland today publishes a new Economic Letter 'Housing market developments and household consumption' (Economic Letter Vol 2014, No. 9).

The Letter analyses the relationship between housing market developments and household consumption using a mix of aggregate and household-level data from the CSO's Household Budget Survey.

The key findings of the research include:

- A 10 per cent increase in income leads to around an 8 per cent increase in consumption.
- After income, housing and credit market developments have a major impact on consumption trends, via wealth, credit and activity effects.
- Wealth effects: a 10 per cent increase in housing wealth (i.e. the value of home equity) increases consumption by around 0.5% on average
- Housing wealth effects are strongest for spending on durable goods, such as cars, household goods, electronics and entertainment durables.
- Credit effects are also evident, with leverage (mortgage debt to income ratio) and personal debt both positively correlated with consumption.
- Activity: the results imply strong house-purchase consumption complementarities, with new homeowners exhibiting substantially higher levels of expenditure on durable goods in particular. These complementarities are likely to have played a significant part in driving up durable consumption in Ireland during the housing boom.
- These activity effects are of particular note with regard to recent housing market developments, i.e. rising prices when transactions are at historically low levels.

Further information: Press Office: (01) 224 6299; press@centralbank.ie

ENDS

Notes to Editor

The Economic Letter summarises the information contained in Research Technical Paper 13/RT/14 'Housing Market Activity and Consumption: Macro and Micro Evidence', which was also published today.

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

Money and Banking Statistics – August 2014

Statistical Release 30 September 2014

Summary [1]

Loans to households continued to decline on both a monthly and an annual basis, with repayments exceeding new lending. Overnight deposits from the non-financial corporation sector continued to show strong growth both on a monthly and annual basis.

Loans and other credit

- Household loan repayments exceeded drawdowns by €250 million during August 2014; developments in August were mainly driven by a €176 million decline in loans for house purchase.
- The net flow of loans to households has followed a negative trend for approximately the past 5.5 years. In the case of loans for house purchase, repayments have exceeded drawdowns by €1.8 billion for the year to date. Net repayments of non-housing loans, were proportionately much higher at €1.2 billion, over the year to August 2014 – these repayments represent 5 per cent of the outstanding stock of non-housing loans at start-2014.
- On an annual basis, lending to Irish households continued to fall, decreasing by 3.7 per cent in August 2014. Loans for house purchase, which account for 81 per cent of total household loans, declined at an annual rate of 3.1 per cent. Lending for consumption and other purposes declined by 6.2 per cent year-on-year.
- NFC loan repayments exceeded drawdowns by €367 million in August 2014 following a net decline of €880 million in July 2014. The fall was most pronounced for loans of up to 1 year which decreased by €363 million over the month. Meanwhile, medium and long-term NFC loans showed an increase of €64 million and a reduction of €68 million, respectively. Over the year to end-August, the net flow of NFC loans has fallen across all maturity categories, with the most pronounced fall seen in the up to one year category.
- Lending to Irish resident NFCs reported a year-on-year decline of 8.4 per cent in August 2014, following an annual decrease of 8.2 per cent in July. This resulted from annual declines across all maturity categories, with declines of 8.7 per cent, 10.4 per cent and 6.8 per cent recorded for short, medium and long-term sectors, respectively.
- Credit institutions' holdings of debt and equity securities issued by the Irish private sector decreased by €2.1 billion during August 2014, following a decrease of €239 million in July. A decrease of €2 billion in

holdings of debt securities issued by the OFI sector was the predominant reason for this fall, the annual rate of decline in this category was 19.2 per cent at end-August.

Deposits and other funding

The outstanding stock of Irish private sector deposits totalled €172 billion at end-August 2014. Of this, 53 per cent represented household deposits, with NFC, OFI and ICPF deposits each accounting for 22 per cent, 20 per cent and 6 per cent, respectively.
Household deposits grew by €389 million in August and by €457 million in the year to date. There have been strong inflows into household overnight deposits at the expense of longer-term instruments. Over the year to end-August, overnight deposits grew by €3 billion, while longer-term, agreed-maturity deposits fell by €2.6 billion.
NFC deposits grew by €529 million in August. This brings net inflows for the year to date to €2.8 billion, with overnight deposits accounting for virtually all of this increase.
On an annual basis, household deposits increased by 0.2 per cent, with overnight deposits growing by 8.3 per cent and all other maturity categories showing year-on-year decline. NFC deposits increased by 13.9 per cent year-on-year, with overnight deposits again driving the annual change.
The annual rate of change in OFI deposits was minus 20 per cent in August 2014, compared to an annual increase of 35.2 per cent in August 2013. This development is due to base effects, driven by a transaction in March 2013 related to the liquidation of the Irish Bank Resolution Corporation (IBRC). IBRC's liability to the Central Bank of Ireland was replaced by a liability to the National Asset Management Agency (NAMA), classified as an overnight deposit.
Deposits from ICPFs fell by 13.4 per cent over the year; this change was driven by developments in the agreed maturity categories of ICPF deposits which have shown a net outflow of €1.6 billion over the past twelve months.

Notes to editors:

Money and Banking Statistics currently include an aggregate balance sheet for the entire population of resident credit institutions, reported in Table A.4. Please note that the composition of the subsets of the population reported in Tables A.4.1 and A.4.2 have been updated as follows:

A.4.1 – Domestic Market Group: Institutions whose ultimate parent entity is resident in Ireland (including credit unions), or which have a significant (>20 per cent) level of business with Irish households and non-financial corporations in terms of their overall resident business activity.

A.4.2 – Irish-Headquartered Group: Institutions whose ultimate parent entity is resident in Ireland. This includes all credit unions.

A full list of credit institutions resident in the Republic of Ireland, as well as the subset of institutions that comprise the Domestic Market Group, are available in the Credit, Money and Banking section of the Central Bank website.

[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] Changes in outstanding amounts need to be interpreted with caution, as they are increasingly influenced by reclassifications, including loan sales and changes in reporting population. Transactions and growth rates are better measures of activity over any given period.

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

Central Bank Publishes a Macro-Prudential Framework and New Research on Macro-Prudential Tools and a Macro-Prudential Framework

1 October 2014

The Central Bank of Ireland today (1 October 2014) publishes a new Economic Letter 'Macro-prudential tools and credit risk of property lending at Irish banks' (Economic Letter Vol. 2014 no. 10). The Central Bank has also published 'A Macro-Prudential Policy Framework for Ireland', which provides an overview of the Central Bank's macro-prudential policy strategy, covering the objectives, the instruments and decision-making process involved.

The research examines the use of limits on new lending at high loan-to-value (LTV) or loan-to-income (LTI) ratios as macro-prudential tools which can be used to make the financial system safer and less prone to crises. The research looks at the impact of limits on LTV and LTI ratios on credit risk by examining the relationship between LTV and LTI ratios at loan origination and mortgage defaults.

The main findings of the research are:

- Although lending at higher LTI ratios has decreased significantly post 2006, lending at higher LTV ratios is still significant, with 50 per cent of new lending to owner occupiers at over 80 per cent LTV in 2013.
- There is a positive relationship between high LTV and LTI ratios at loan origination and defaults, where the level of default is higher for higher originating LTV and LTI ratios. The strength of this relationship is dependent on the property price cycle.
- Once a default has occurred, LTV limits reduce the losses experienced by banks. There is a sharp increase in the losses of defaulted loans with originating LTV greater than 85 per cent.
- The analysis suggests that limits on both LTV and LTI ratios can be effective in reducing the two aspects of credit risk, the probability of default and the loss-given-default.

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

Central Bank Publishes New Research on Irish Residential Mortgage-Backed Securities

3 October 2014

The Central Bank of Ireland today publishes a signed article from the Central Bank's Quarterly Bulletin for Q4 2014 entitled Irish Residential Mortgage-Backed Securities – Preliminary Analysis of Loan-Level Data.

The article describes the current Irish Asset-Backed Securities market, and the ECB loan-level data initiative, specifically the European DataWarehouse, which led to the availability of this data.

The underlying mortgage characteristics of Irish Residential-Mortgage Backed Securities (RMBS) are analysed, focusing on Loan-to-Value (LTV) and Loan-to-Income (LTI) ratios, as well as mortgage arrears.

In relation to the mortgages underlying Irish RMBS, the key findings of the research are as follows:

- These mortgages have deteriorated since their origination, as the number of distressed borrowers has increased.
- There is a particularly strong relationship between LTV ratios at Q4 2013 and mortgage arrears.
- An estimated 45 per cent of loans contained within the RMBS pools are in negative equity at Q4 2013.
- The LTI ratio increased significantly from 1994 to 2008.
- Higher LTV and LTI ratios prevail predominantly for mortgages originating between 2005 and 2008, before falling sharply.

Further information: Press Office: (01) 224 6299; press@centralbank.ie

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

Generation €uro Students' Award 2014-2015 Launched

Nationwide search begins for Ireland's top young economists

The Central Bank of Ireland today (3 October 2014) launched a nationwide search to find Ireland's brightest young economic minds in the fourth year of its competition for Transition Year students.

The Generation €uro Students' Award calls on secondary schools across the country to take on the role of the ECB's Governing Council to decide an appropriate interest rate for the euro area. Over the course of three rounds including an online quiz, a group essay and a presentation to a panel of senior economists at the Central Bank next April, students will compete against schools from all four regions to be crowned national winners.

The winning team will represent Ireland in May 2015 at a series of events to take place at the ECB in Frankfurt where they will meet President Mario Draghi and the other winning teams from across Europe.

Students can enter the competition in teams of four plus a teacher who acts as mentor.

ENDS

Further information:

Press Office (01) 224 6299 or press@centralbank.ie

Notes for Editors

The Generation €uro Students' Award is a euro area-wide initiative organised by the European Central Bank and participating national central banks across the euro area including the Central Bank of Ireland.

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

Central Bank of Ireland Quarterly Bulletin Q4 2014

3 October 2014

The Central Bank of Ireland today published Quarterly Bulletin Q4 2014.

Comment

The recovery in the Irish economy has gained momentum and is broadening, though the underlying strength of the economy is less than that suggested by the recent exceptionally buoyant Quarterly National Accounts data. However, while the latest year-on-year headline growth rate overstates the scale of the improvement in economic performance, the evidence from a range of other data indicates that the recovery has strengthened and is becoming more balanced. Encouragingly, the domestic economic recovery has become more broad-based, supported by gradually improving employment and incomes. Against this background, consumer spending is growing and, allied to strong growth in investment spending, domestic demand is set to contribute positively to growth in 2014, for the first time since the downturn.

The first half of 2014 has also seen a very strong acceleration in recorded export growth. This reflects the positive effect of stronger growth in trading partner countries, some recovery in the output and exports of the pharmaceutical sector, as the impact of patent expirations eases, but also, significantly, the impact of methodological changes recently introduced in the National Accounts. As a result of these changes, goods owned by an Irish entity that are manufactured in and shipped from a foreign country are now recorded as Irish exports.

Looking ahead, reflecting the strong performance of exports in the first half of the year, favourable external demand conditions and a further easing in the impact of the patent cliff on pharmaceutical exports, the outlook for export growth in 2014 has been revised up significantly as compared to the forecasts contained in the last Bulletin. For next year it is assumed that exports will largely grow in line with demand in trading partner countries which, while still generating a strong growth rate, would represent a slowdown in export growth as compared to 2014. On the domestic side, reflecting the stronger first-half performance and a gradually improving outlook, the forecasts for consumer and investment spending for 2014 and 2015 have also been revised higher. While further growth in employment should stimulate some increase in household incomes, high unemployment and debt levels remain headwinds to any strong recovery in consumer spending.

Largely as a result of the strong upward revision to the export projections, the outlook for GDP growth in 2014 has been raised significantly as compared to the forecasts published in the previous Bulletin. GDP growth of 4.5 per cent is now projected for this year, an upward revision of 2.0 per cent relative to the previous projection, while the forecast for GNP growth of 4.9 per cent is also correspondingly higher. A much smaller revision is being made to our forecasts for 2015, for which GDP growth of 3.4 per cent and GNP growth of 3.1 per cent are forecast, just 0.1 per cent and 0.4 per cent higher than the projections contained in the previous Bulletin.

Turning to policy issues, since exiting the EU/IMF Programme, Ireland has benefitted from signalling that it will continue along the path of consolidation and adjustment. In the absence of external oversight, markets will look more closely to ensure that Ireland continues to build on the achievements of recent years. Further progress in policy implementation across a range of areas will be crucial in order to reduce vulnerabilities and ensure a sustainable return to steady growth.

With respect to the public finances, reflecting the improvement in the economy, Exchequer data have been favourable. Tax revenues have grown ahead of target and expenditure has remained broadly on track which, when combined with the projected higher level of nominal GDP, leaves the 2014 General Government Deficit on course to come in well below target. While this provides a favourable background to Budget 2015, it is important to stress that a 3 per cent deficit-to-GDP ratio is not an end-point. Budget 2015 will be the first in a series of post-Troika budgets that will need to ensure that Ireland moves progressively towards meeting the medium-term budgetary objectives. In the short-term, it would be advisable to take advantage of temporary revenue surges to reduce debt more quickly, thereby easing the vulnerability that continues to result from the overhang of indebtedness. Thus, doing more than the minimum necessary and bringing the budget deficit comfortably below 3 per cent of GDP in 2015 would provide an important buffer to guard against adverse shocks. This first post-programme Budget offers the opportunity to further solidify Ireland's reputation for creditworthiness. It is important that this opportunity is taken. Beyond 2015, it is imperative to facilitate the return of the economy to lower and safer levels of public debt. Securing debt sustainability through a sequence of primary surpluses is necessary to underpin a more durable recovery. Just as unexpectedly unfavourable developments resulted in unwanted increases in public debt in recent years, windfall revenue gains should be employed to reduce that debt.

In the banking sector, liquidity and funding positions are continuing to improve and are returning to a more sustainable profile. Bank profitability is also continuing to show signs of recovering. The key issues, however, revolve around making further progress in dealing with the resolution of impaired loans, which continues to cloud the sector as it deleverages. Using the mortgage arrears resolution targets, the Central Bank has required the banks to accelerate the conclusion of sustainable long-term arrangements with customers in arrears. The most recent data indicate that long-term arrears have fallen for the third successive quarter, although there continues to be some migration of loans into the very long-term arrears category. The Central Bank will continue to work to ensure that banks and mortgage borrowers in arrears move to conclude durable solutions. The Bank also continues to monitor and audit the progress of banks in resolving arrears in relation to commercial and SME portfolios. While challenging, progress is being made and the balance sheets of banks and their borrowers are gradually being repaired.

Although, with overall lending volumes still low, bank credit has not been the main driver of the recent surge in Dublin property prices, lenders will need to exercise prudence in mortgage lending standards.

Turning to competitiveness, it is important to ensure not only that the gains made in recent years are maintained but that there continues to be further improvement in Ireland's competitiveness. To the extent that price and wage developments over the past five years have been a cyclical response to economic weakness rather than to structural changes in the economy, there is the risk that a stronger than expected recovery exerts pressure for a rebound in wages and prices. This must be resisted. Despite low levels of inflation in recent years, Ireland remains a relatively high cost location in terms of the broad cost environment. While gaining momentum, Ireland's economic recovery is still at an early stage. A strong external performance will remain central to ensuring a sustainable return to steady growth and rising living standards in the future. Further improvements in productivity and competitiveness would boost Ireland's growth potential and support continued employment growth.

Central Bank Publishes New Macro-Prudential Measures for Mortgage Lending

7 October 2014

The Central Bank of Ireland today published Consultation Paper 87 with proposals to introduce new macro-prudential measures to enhance the resilience of the banking sector and households to housing market developments. The measures place restrictions on the loan to value (LTV) and loan to income (LTI) ratios lenders can apply when lending for house purchase and will apply to all lending in Ireland by regulated firms. The measures introduce proportionate limits and specific exemptions which take into consideration that there are some cases which could fall outside strict limits.

Deputy Governor, Stefan Gerlach, said, 'The primary objective of these measures is to increase the resilience of the banking and household sectors to the property market. In Ireland we are still experiencing the destabilising effects of a property bubble. Our research has shown there is strong evidence that mortgage losses are much higher where borrowers have a high LTV or LTI rate. We believe that measures such as these are a standard part of a well regulated financial system and introducing these precautionary measures should contribute to a stable and well-functioning mortgage lending market.'

Deputy Governor, Cyril Roux, added, 'These measures have been carefully considered and, taking past experience into account, are being introduced at an appropriate time to ensure borrowers and lenders can withstand potential economic or property market shocks in the future without financial distress. These measures are not intended to replace lenders' own risk management practices, but rather they should reinforce and strengthen the existing risk mitigation practices used to ensure prudent lending.

'As it can be assumed that a regime of the type foreshadowed in the consultation is likely to be introduced, we expect lenders not to accelerate high LTV or LTI loan approvals in advance. We will continue our close supervision of lenders and have set out clear monitoring requirements which will apply.'

The measures set out are:

- Restrict new lending for principal dwelling houses (PDH) above 80 per cent LTV to no more than 15 per cent of the value of all new PDH loans;
- Restrict new lending for PDHs above 3.5 times LTI to no more than 20 per cent of the value of all new PDH loans; and
- Restrict new lending to buy-to-let above 70 per cent LTV to no more than 10 per cent of the value of all housing loans for investment purposes.

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

Holders of Irish Government Bonds - August 2014

8 October 2014

Key Developments

- The nominal value outstanding of government bonds was €112,143 million at end August 2014, broadly unchanged from end July.
- Residents held 47.4 per cent of Irish government bonds, with credit institutions and the Central Bank of Ireland accounting for 92 per cent of these holdings.

Outstanding government bonds[1] stood at €112,143 million in August 2014, with 9 per cent due to mature in less than three years. At end-August 2014, resident holders held 47.4 per cent of long-term Irish government bonds. Resident credit institutions and the Central Bank of Ireland, account for 92 per cent of resident holdings.

The resident non-bank financial sector reported holdings of €2,563 million in August 2014 of which holdings by other financial intermediaries stood at €879 million (Chart 1).

Within the next 5 years, 30 per cent of outstanding Government bonds will mature (Table 1). 25 percent of resident holders fall under this maturity category, while the equivalent ratio for non-resident holders is higher at 36 per cent. Furthermore, 32 per cent (or €18.6 billion) of long-term bonds held by non-resident investors will mature from 2023 onwards (Chart 2).

Note to Editors:

This data series was published for the first time in February 2014. The new series beginning in December 2013 is based on improved information sources, so it is not directly comparable with previous publications. Care should, therefore, be exercised in comparing the new series with earlier publications.

The change has arisen due to the introduction of the Securities Holdings Regulation by the ECB in December 2013. The dataset is compiled from data submitted by all custodians resident in Ireland, direct reporting by end investors and information from the Government Bond Register held by the Central Bank to provide breakdowns by maturity and by holding sector.

[1] Please see background information below and the explanatory notes for further information

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

Central Bank of Ireland Issues Warning on Unauthorised Investment Firm/Investment Business Firm

9 October 2014

The Central Bank of Ireland today published the name of an unauthorised investment firm/investment business firm, GEN Equities (Ireland and Switzerland). GEN Equities (Ireland and Switzerland) is not authorised by the Central Bank as an investment firm, an investment business firm or to provide investment advice.

It is a criminal offence for an unauthorised firm/person to provide financial services in Ireland that would require an authorisation under the relevant legislation for which the Central Bank is the responsible body for enforcing. Consumers should be aware that, if they deal with a firm/person who 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/persons may telephone (01) 224 4000. This line is also available to the public to check if a firm/person is authorised. Since obtaining the necessary legal powers in August 1998, the names of 247 unauthorised firms/persons have been published by the Central Bank.

Notes to editors:

The name of the above firm/person is published under the Central Bank (Supervision and Enforcement) Act 2013.

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

Retail Interest Rate Statistics: August 2014

10 October 2014

Key Developments[1]

- The weighted average interest rate on outstanding loans to households for house purchase remained relatively stable at 2.72 per cent at end-August. The equivalent euro area rates were 51 basis points higher at 3.23 per cent. The interest rate on new loan agreements to households for house purchase[2], with either a floating rate or initial rate fixation of up to one year, fell by 7 basis points to 3.22 per cent at end-August 2014.
- The weighted average interest rate on total outstanding household term deposits continued to decline to 1.85 per cent at end-August. There is evidence that household deposit volumes are moving from medium-term categories towards the overnight category, highlighting the low deposit rates currently on offer across all maturities.
- The weighted average interest rate on new loan agreements to NFCs up to €1 million (often used as a proxy for SME lending) fell by 20 basis points to stand at 5.03 per cent at end-August.

Households

Loans to Households

The weighted average interest rate on outstanding loans to households for house purchase declined to 2.72 per cent at end-August 2014, again, falling by just one basis over the month. The corresponding end-August interest rate for the euro area was higher, at 3.23 per cent. Interest rates on outstanding mortgages in Ireland have tended to follow movements in the ECB's main refinancing rate (MRO) more closely than equivalent euro area rates due to the higher proportion of tracker and other variable rate mortgage products in the domestic market (Chart 1). However, more recently, this traditional relationship is seen to have weakened. ECB rates were cut by 10 basis points on June 11th; over this period to end-August, Irish rates have fallen by 10 basis points and euro area rates have fallen by 6 basis points.

The interest rate on new loan agreements to households for house purchase, with either a floating rate or initial rate fixation of up to one year, was 3.22 per cent at end-August 2014, representing a 7 basis point decrease from the end-July rate. The corresponding interest rate at end-August for the euro area was 66 basis points lower at 2.56 per cent. Loans in this category accounted for 89 per cent of all new mortgage business in the domestic market over the past year. In contrast, floating rate loans in the euro area accounted for 27 per cent of new mortgage business over the same period.

The weighted average interest rate on new loans to households for non-housing purposes increased by 65 basis points over the month, to stand at 8.19 per cent. The corresponding euro area interest rate increased by 17 basis points at end-August, to stand at 4.74 per cent. It should be noted that new business volumes for loans to households for non-housing purposes have been particularly low in recent years, resulting in pronounced volatility in the series.

The weighted average interest rate on outstanding amounts of non-housing related loans was 7.35 per cent at end-August 2014, representing a two basis point decrease over the month, and a 100 basis point rise since August 2013. This year-on-year increase was reflected across all three maturity categories of loans for consumption and other purposes, with loans in the medium-term category (fixation period of one to five years) exhibiting the most pronounced increase. The corresponding end-August rate for all non-housing loans in the euro area was 188 basis points lower than the Irish rate at 5.47 per cent.

Deposits from Households

The interest rates on new household term deposits increased four basis points to 0.63 per cent at end-August 2014. This also represented a year-on-year decrease of 17 basis points.

The weighted average interest rate on total outstanding household term deposits continued to fall in August to 1.85 per cent, representing a 168 basis point fall since their last increase in April 2012. Over the past number of months, there has been some evidence of movement from deposits in the medium-term category towards the overnight category, highlighting the low interest-rate environment. At end-August 2014, interest rates on deposits with agreed maturity up to two years stood at 1.88 per cent, representing a 62 basis point decrease since end-August 2013.

Non-Financial Corporations (NFCs)

Loans to NFCs

The weighted average interest rate on new loan agreements to NFCs up to €1 million (often used as a proxy for SME lending) fell by 20 basis points since July, standing at 5.03 per cent at end-August. The corresponding interest rate charged by euro area credit institutions in August was 161 basis points lower at 3.42 per cent.

In terms of new business for NFC loans above €1 million, the weighted average interest rate increased by 11 basis points to 3.32 per cent at end-August. The volumes in new business categories have been particularly low, resulting in pronounced month-on-month volatility. The equivalent euro area interest rate declined by 16 basis points in August 2014, standing at 1.89 per cent.

The weighted average interest rate on outstanding loans to NFCs issued by Irish-resident credit institutions fell to 3.17 per cent at end-August 2014 (Chart 2). The twelve-month average for this rate was 3.08 per cent. The euro area weighted average interest rate for the month of August was 3.16 per cent.

Deposits from NFCs

The interest rate on new term deposits from NFCs increased by six basis points to 0.47 per cent at end-August 2014. This rate has been relatively stable over the past year, recording a twelve-month average of 0.44 per cent. The equivalent monthly rate offered by euro area credit institutions was higher at 0.52 per cent at end-August 2014.

The weighted average interest rate on outstanding NFC term deposits fell by six basis points to 1.22 per cent at end-August 2014. This represents a fall of 43 basis points since August 2013. Annual developments were driven by deposits with agreed maturity of up to two years, which accounted for 94 per cent of all NFC term deposits over the past year.

Notes to Editors:

Retail Interest Rate Statistics cover all euro-denominated lending to, and deposits from, households and non-financial corporations (NFCs) in the euro area by credit institutions resident in Ireland. Interest rates on outstanding amounts cover all loans and deposits outstanding on the last working day of the month, while interest rates applicable to new business volumes cover all new loan and deposit business agreed during the month.

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 renegotiation of existing deposits and loans. Automatic renewals of existing contracts, which occur without any involvement by the customer, are not included in new business. 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.

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

[2] In the MIR framework, new loan agreements to households for house purchase with either a floating or initial rate fixation period of up to one year, is broader in scope than just 'new mortgages', issued at variable interest rates. There are a number of factors that can lead to differences between MIR statistics and interest rates advertised by resident credit institutions including renegotiated loans, the inclusion of home improvement loans, and the underlying MIR compilation methodology.

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

Security Issue Statistics – August 2014

13 October 2014

Trends in Market-based Financing of all Irish-resident Entities:

- Market-based debt financing for the banking sector stood at €68.8 billion in August 2014, an increase of 2 per cent year-on-year. This is the only the second month during 2014 when a year-on-year increase has been observed for this sector.
- The outstanding amount of debt securities issued by Irish firms and by the Government sector was €855.4 billion at end-August 2014, a decrease of 4 per cent year-on-year. The outstanding amount of debt securities issued by euro area residents decreased by 0.5 per cent.
- Equity shares had an outstanding value over €329.5 billion at end-August. Quoted shares (€329.1 billion), which are predominant in the equity category, saw a year-on-year increase of 45 per cent. The value of the stock of quoted shares issued by euro area residents increased by 19.4 per cent.

Banking Sector

Market-based debt financing for the banking sector decreased by €1 billion in August 2014 (compared to a decrease of €1.5 billion in July).

Since August 2013, the outstanding amount of debt securities for the banking sector has increased by 2 per cent to €68.8 billion with short-term debt contracting by 35 per cent (Chart 1 and 2). Over the past 12 months, the total outstanding amount of debt securities for this sector across the euro area decreased by approximately 7 per cent. This decline reflects continuing deleveraging in the banking sector.

Non-Financial Corporations

The outstanding amount of debt securities issued by non-financial corporations (NFC) decreased to €8.8 billion in August 2014 (Table 1)[1].

In August 2014, the value of the quoted shares issued by the NFC sector increased to €289 billion. This represented a year-on-year increase of 49 per cent (Chart 4).

The annual percentage change in market capitalisation for NFCs in the euro area was approximately 18 per cent.

[1] As per compilation methodology utilised by the Central Bank of Ireland

[2] This data is subject to revisions.

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

New Research on a Fragmentation Indicator for Euro Area Sovereign Bond Markets

15 October 2014

The Central Bank of Ireland today publishes new economic research entitled 'A Fragmentation Indicator for Euro Area Sovereign Bond Markets' (Economic Letters Vol. 2014, No. 11).

The research presents an indicator which can be used by policymakers and market participants to monitor fragmentation in euro area sovereign bond markets.

The main findings of the research are:

- The fragmentation indicator is a moving average cross-correlation of sovereign bond yield log returns between Germany and other euro area countries.
- The results indicate that there is significant heterogeneity in correlation estimates for different euro area country groups (core and periphery). Furthermore, the timing of the fragmentation differs.
- The simple indicator can be updated regularly to provide market participants and policymakers with a timely indicator of fragmentation in euro area sovereign bond markets. For a more accurate point estimate, a specific methodology (the DCC GARCH) is recommended.

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

Financial Vehicle Corporation Statistics Q2 2014

Statistical Release 16 October 2014

Total FVC assets values decreased to €395.8 billion in Q2 2014, primarily driven by NAMA sales of IBRC loans. This contributed to negative transactions for the fifth consecutive quarter. The number of reporting entities increased in Q2 2014, mainly due to the establishment of new vehicles to purchase the IBRC loans.

The value of total FVC assets decreased by €26.1 billion to €395.8 billion in Q2 2014, largely driven by outflows of €24.4 billion (Chart 1). Similar to Q1 2014, these outflows were mainly due to repayments of deposit and loan claims between NAMA vehicles, arising from sales of IBRC loans. Large negative transactions were also reported for the main asset categories. Securities other than shares recorded negative transactions of minus €3.7 billion, while shares and other equity and securitised loans were minus €2.8 billion and minus €2.6 billion respectively.

However, despite the decrease in asset values during the quarter, the number of reporting entities increased from 708 in Q1 to 722 in Q2 2014, maintaining the pattern of a gradual increase in numbers evident since Q2 2013 (Chart 2). The increase in reporting numbers was most evident for property related vehicles, in particular Commercial Mortgage Backed Securities (CMBS) type vehicles. A number of these new CMBS vehicles were established in order to purchase some of the IBRC loan portfolio sold by NAMA.

Euro area FVCs asset values declined by €21 billion to €1,861 billion in Q2 2014, the tenth consecutive quarterly decline recorded. Euro-area transactions were mainly driven by outflows of €16.4 billion from deposit and loan claims. Ireland's share of euro area assets decreased from 22.4 per cent in Q1 2014 to 21.3 per cent in the second quarter.

Notes to Editors:

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

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

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

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

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

Central Bank Announces Membership of Inquiry Panel

17 October 2014

The Central Bank has announced the membership of the Inquiry Panel. Members of the Panel may be appointed to an Inquiry in individual cases referred to Inquiry pursuant to Part IIIC of the Central Bank Act 1942.

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

Settlement Agreements with Insurance Intermediary Firms Over Failure to Hold Professional Indemnity Insurance

23 October 2014

The Central Bank of Ireland has entered into settlement agreements with three insurance intermediaries for failing to hold Professional Indemnity Insurance (PII) over a period of time. These enforcement cases followed a review conducted by the Central Bank's Consumer Protection Directorate. The enforcement action taken against these firms demonstrates the seriousness with which the Central Bank views non-compliance with this requirement[1].

Director of Enforcement, Derville Rowland said: "PII is an important protection for consumers when dealing with financial service providers as it provides cover for loss suffered by customers as a result of professional negligence relating to advice or services provided by a firm. Ensuring firms meet their obligations regarding PII is one of the Central Bank's enforcement priorities for 2014. This is the third year in a row that we have taken action against insurance intermediaries and we have now imposed sanctions on a total of 12 insurance intermediaries for failures to meet their obligation to hold PII.

Our on-going focus on taking action in this area highlights the importance we place on raising professional standards in the best interests of consumers. Insurance intermediaries should note the Central Bank's continued prioritisation of PII as a key focus for consumer protection. We intend to continue to robustly apply our supervisory and enforcement tools to eradicate non-compliance, which should act as a deterrent to others."

[1] Insurance intermediaries are required to hold PII under Regulation 17 of the European Communities (Insurance Mediation) Regulations, 2005.

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

Central Bank Publishes Outcome of ECB Comprehensive Assessment

26 October 2014

The Central Bank of Ireland today published the outcome of the ECB's Comprehensive Assessment for five Irish based institutions.

The Comprehensive Assessment examined the strength of the European banking system, assessing the financial position of banks against common standards in advance of the introduction of the Single Supervisory Mechanism (SSM) on 4 November 2014. It incorporated an asset quality review (AQR) and a stress test.

The AQR was an in-depth assessment of the banks' balance sheets at 31 December 2013 and the stress test assessed the impact of economic shocks in a baseline and adverse scenario on banks' forward looking capital position.

The AQR resulted in an average capital adjustment equivalent to just 0.3% of risk weighted assets for Irish institutions which confirms the robustness of the balance sheet assessments undertaken by the Central Bank at the end of 2013.

The results of the stress scenario show all Irish based institutions meet the ECB requirements to have, under the baseline scenario, at least 8% common equity tier one capital through to end-2016. In the adverse scenario, which requires banks to hold 5.5% common equity tier one capital, AIB, Bank of Ireland, Merrill Lynch and Ulster Bank meet the requirements.

permanent tsb's (ptsb) balance sheet does not meet the threshold set in the adverse scenario. ptsb has outlined its capital plan to the ECB and Central Bank. This includes a set of actions it intends to undertake to address the shortfall arising in this hypothetical adverse scenario.

All banks with shortfalls identified in the Comprehensive Assessment are required to formally submit capital plans to the SSM by 9 November 2014.

Deputy Governor, Cyril Roux, said, 'The purpose of the Comprehensive Assessment is to give clarity on the balance sheets of eurozone credit institutions as of 31 December 2013 and measure their resilience to a prolonged economic downturn. The outcome from the Comprehensive Assessment shows that progress that has been made in recent years to stabilise and rebuild the banking system in Ireland. The asset quality review has validated the balance sheet assessment we conducted a year ago. All but one of the Irish institutions meet the adverse and severe criteria applied by the stress test, with a capital requirement only identified in the adverse scenario for ptsb, reflecting on-going legacy issues which the bank is continuing to work through. In line with requirements ptsb will submit a capital plan to meet the shortfall.

The adverse stress scenario used in the Comprehensive Assessment does not reflect the actual or expected future financial position of individual institutions. The results should have no adverse impact on the day-to-day operations of any of the banks and has no impact on consumers.'

Further information: Press Office (01) 224 6299, press@centralbank.ie

Notes to Editors

Overview

The Comprehensive Assessment (CA) is a financial health check of 130 banks in the euro area. It was carried out by the ECB together with the national competent authorities (NCAs).

The ultimate goal of the CA is to help prevent further burdens on taxpayers by strengthening the resilience of the financial sector to future crises. The CA has been undertaken across 19 countries (including Lithuania) at the same point in time and to the same standard, by the ECB in close cooperation with the NCAs.

The CA comprises two main pillars:

The CA incorporates an asset quality review combined with a stress test:

An asset quality review (AQR) that aims to assess the adequacy of asset and collateral valuation and related provisions and enhance transparency of bank exposures.

- The AQR is an in-depth assessment of bank balance sheets as at 31 December 2013. It is a risk based exercise focused on those elements of individual banks' balance sheets that are considered to be most risky.

- The AQR was carried out based on a uniform methodology and harmonised definitions. This was to ensure as level a playing field as possible across jurisdictions in an environment where there is still some different regulatory treatment of capital at national level.

A stress test (ST) aiming to examine the resilience of banks under a baseline and under an adverse scenario. The ST is performed in close cooperation with the European Banking Authority (EBA) and follows the EBA Stress Test methodology.

- The ST is conducted at the highest level of consolidation of each banking group.

- The commonly agreed EU-wide baseline and adverse scenarios were respectively developed by the European Commission, and the European

Systemic Risk Board (ESRB) in close cooperation with the ECB and the EBA. The horizon for the ST is three years (December 2013 to December 2016).

The Stress Test consists of a bottom up calculation done by the bank on the basis of the two scenarios. The top down calculation in the comprehensive assessment made by the ECB is to ensure a proper degree of consistency in the assumptions applied across banks and to challenge the calculations that banks conduct by themselves.

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

Capital Requirements Directive/ Capital Requirements Regulation (together "CRD IV")

In addition to common equity tier 1 (CET1) ratio under CRD IV rules used for the stress test (i.e. baseline and adverse thresholds of 8.0% and 5.5% CET1 ratios, respectively), the EBA also discloses as a memorandum item a hypothetical 'fully-loaded' CET1 ratio assuming all transitional arrangements allowed for under CRD IV do not apply.

The transitional arrangements are common across the EU and allow for 20% a year phasing. In some cases longer phase in of up to 10% a year is included in national implementation rules.

Banks are not expected to meet full-loaded CET1 ratios until as late as 2024, although much of the transition will be complete by 2018. The main differences for the Irish banks between the transitional and fully-loaded arrangement are the preference shares originally issued to the State in 2009 amounting to €4.8bn which are eligible as CET1 until December 2017 but are not included in a fully-loaded hypothetical calculation; deductions for deferred tax assets – which are phased out over 10 years; and deductions for holdings in financial institutions.

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

Central Bank Publishes Irish Responses to the October 2014 Euro Area Bank Lending Survey

29 October 2014

The Central Bank of Ireland has published the Irish responses to the October 2014 Euro Area Bank Lending Survey.

Results Summary:

- Credit standards were unchanged across all categories of enterprise borrowing during the third quarter of 2014. It is expected that credit standards will ease during the final quarter of 2014 for overall enterprise lending and lending to SMEs, while remaining unchanged on lending to large enterprises.
- Credit standards eased marginally with regard to loans for house purchases during the third quarter, while standards on consumer credit and other household lending remained unchanged. Loan demand increased in respect of loans to households for house purchases and for consumer lending.
- Banks reported that the initial TLTROs in September and December did not or will not affect lending behaviour. Funds raised in the initial TLTROs will be used as a substitute for maturing debt, interbank lending and Eurosystem liquidity while also being used for lending to households and NFCs.

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

Money and Banking Statistics – September 2014

31 October 2014

Loans to households increased during the month, the first positive number since September 2013. Overnight deposits from the non-financial corporation sector fell during September, but are still over €2 billion higher since the start of 2014.[1]

Loans and other credit

- Household loan drawdowns exceeded repayments by €68 million during September 2014; developments in September were mainly driven by a €79 million increase in consumer credit. This is the first positive month since September 2013, and only the third positive month since end-2009.
- In the case of loans for house purchase, drawdowns exceeded repayments by €8 million during September, the first positive number since June 2013. However, repayments have exceeded drawdowns for house purchase by €1.8 billion for the year to date. Repayments have also exceeded drawdowns by €1.2 billion for non-housing loans to households, in the year to end September.
- On an annual basis, lending to Irish households continued to fall, decreasing by 3.7 per cent in September 2014. Loans for house purchase, which account for 81 per cent of total household loans, declined at an annual rate of 3 per cent. Lending for consumption and other purposes declined by 6.2 per cent year-on-year.
- NFC loan repayments exceeded drawdowns by €514 million in September 2014 following a net decline of €367 million in August 2014. The fall was most pronounced for loans of over 5 years which decreased by €411 million over the month. Meanwhile, short and medium-term NFC loans showed a reduction of €164 million and an increase of €62 million, respectively. Over the year to end-September, the net flow of NFC loans has fallen across all maturity categories, with the most pronounced fall seen in the up to one year category.
- Lending to Irish resident NFCs reported a year-on-year decline of 9.1 per cent in September 2014, following an annual decrease of 8.4 per cent in August. This resulted from annual declines across all maturity categories, with declines of 10.1 per cent, 9.7 per cent and 7.5 per cent recorded for short, medium and long-term sectors, respectively.
- Credit institutions' holdings of debt and equity securities issued by the Irish private sector decreased by €942 million during September 2014, following a decrease of €2.1 billion in August. A decrease of €861 million in holdings of debt securities issued by the OFI sector was the

predominant reason for this fall: the annual rate of decline in this category was 17.7 per cent at end-September.

Deposits and other funding

- The outstanding stock of Irish private sector deposits totalled €172 billion at end-September 2014. Of this, 53 per cent represented household deposits, with NFC, OFI and ICPF deposits each accounting for 21 per cent, 20 per cent and 6 per cent, respectively.
- Household deposits fell by €185 million in September, but increased by €272 million in the year to date. There have been strong outflows from longer term deposits, reflecting the low interest rates on offer. Over the year to end-September, overnight deposits grew by €3.2 billion, while longer-term, agreed-maturity deposits fell by €3 billion.
- NFC deposits fell by €663 million in September. Despite this, net inflows for the year to date amounted to €2.1 billion.
- On an annual basis, household deposits remained stationary, with overnight deposits growing by 8.5 per cent and all other maturity categories showing year-on-year decline. NFC deposits increased by 11.6 per cent year-on-year, with overnight deposits again driving the annual change.
- The annual rate of change in OFI deposits was minus 19.3 per cent in September 2014, compared to an annual increase of 38.2 per cent in September 2013. This development is due to base effects, driven by a transaction in March 2013 related to the liquidation of the Irish Bank Resolution Corporation (IBRC).
- Deposits from ICPFs fell by 14 per cent over the year; this change was driven by developments in the agreed maturity categories of ICPF deposits which have shown a net outflow of €1.8 billion over the past twelve months.
- Credit institutions' borrowings from the Central Bank as part of Eurosystem monetary policy operations fell by €816 million in September 2014. The outstanding stock of these borrowings stood at €19 billion at end-September. The domestic market group of credit institutions accounted for €12.9 billion of this total outstanding stock and current levels represent the lowest level of reliance on central bank funding since January 2008.

Note to Editors:

Money and Banking Statistics currently include an aggregate balance sheet for the entire population of resident credit institutions, reported in Table A.4. Please note that the composition of the subsets of the population reported in Tables A.4.1 and A.4.2 have been updated as follows:

A.4.1 – Domestic Market Group: Institutions whose ultimate parent entity is resident in Ireland (including credit unions), or which have a significant (>20 per cent) level of business with Irish households and non-financial corporations in terms of their overall resident business activity.

A.4.2 – Irish-Headquartered Group: Institutions whose ultimate parent entity is resident in Ireland. This includes all credit unions.

[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] Changes in outstanding amounts need to be interpreted with caution, as they are increasingly influenced by reclassifications, including loan sales and changes in reporting population. Transactions and growth rates are better measures of activity over any given period.

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

Holders of Irish Government Bonds - September 2014

5 November 2014

Key Developments

- The nominal value outstanding of government bonds was €112,132 million at end September 2014, broadly unchanged from end August.
- Residents held 47.3 per cent of Irish government bonds, with credit institutions and the Central Bank of Ireland accounting for 92 per cent of resident holdings.

Outstanding government bonds[1] stood at €112,132 million in September 2014, with 9 per cent due to mature in less than three years. At end-September 2014, resident holders held 47.3 per cent of long-term Irish government bonds. Resident credit institutions and the Central Bank of Ireland, account for 92 per cent of resident holdings.

The resident non-bank financial sector reported holdings of €2,617 million in September 2014 of which holdings by other financial intermediaries stood at €1,011 million (Chart 1).

Within the next 5 years, 30 per cent of outstanding Government bonds will mature (Table 1). 27 percent of resident holdings fall under this maturity category, while the equivalent ratio for non-resident holdings is higher at 34 per cent. Furthermore, 32 per cent (or €19 billion) of long-term bonds held by non-resident investors will mature from 2023 onwards (Chart 2).

Notes to Editors:

This data series was published for the first time in February 2014. The new series beginning in December 2013 is based on improved information sources, so it is not directly comparable with previous publications. Care should, therefore, be exercised in comparing the new series with earlier publications.

The change has arisen due to the introduction of the Securities Holdings Regulation by the ECB in December 2013. The dataset is compiled from data submitted by all custodians resident in Ireland, direct reporting by end investors and information from the Government Bond Register held by the Central Bank to provide breakdowns by maturity and by holding sector.

[1] Please see background information below and the explanatory notes for further information

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

Security Issue Statistics – September 2014

12 November 2014

Trends in Market-based Financing of all Irish-resident Entities

- Market-based debt financing for the banking sector stood at €71.9 billion in September 2014, an increase of 7.5 per cent year-on-year. This is the largest year-on-year increase during 2014 for this sector and the third consecutive monthly increase.
- The outstanding amount of debt securities issued by Irish firms and by the Government sector was €870.9 billion at end-September 2014, a decrease of almost 1 per cent year-on-year. The outstanding amount of debt securities issued by euro area residents decreased by 0.5 per cent.
- Equity shares had an outstanding value over €329.4 billion at end-September. Quoted shares (€328.9 billion), which are predominant in the equity category, saw a year-on-year increase of 42 per cent. The value of the stock of quoted shares issued by euro area residents increased by 14 per cent.

Banking Sector

Market-based debt financing for the banking sector increased by €3 billion in September 2014 (compared to a decrease of €1 billion in August).

Since September 2013, the outstanding amount of debt securities for the banking sector has increased by 7.5 per cent to €71.9 billion with short-term debt contracting by 15 per cent, the smallest contraction so far this year for this sector (Chart 1 and 2). Over the past 12 months, the total outstanding amount of debt securities for this sector across the euro area decreased by approximately 7 per cent. This decline reflects continuing deleveraging in the banking sector.

The market value of equity securities in the banking sector saw a year-on-year increase of 20 per cent[1] to €22.4 billion (Chart 3). This increase is primarily as a result of valuation changes.

Non-Financial Corporations

The outstanding amount of debt securities issued by non-financial corporations (NFC) remained almost unchanged at €8.7 billion in September 2014 (Table 1)[2].

In September 2014, the value of the quoted shares issued by the NFC sector increased to €288 billion. This represented a year-on-year increase of 46 per cent (Chart 4).

The annual percentage change in market capitalisation for NFCs in the euro area was approximately 12 per cent.

[1] As per compilation methodology utilised by the Central Bank of Ireland

[2] This data is subject to revisions.

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

12 November 2014

Central Bank of Ireland imposes fine of €3,500,000 in respect of IT governance failures by Ulster Bank Ireland Limited

The Central Bank of Ireland (the "Central Bank") has fined Ulster Bank Ireland Limited (the "Firm") €3,500,000 and reprimanded it in relation to IT and governance failings by the Firm that resulted in approximately 600,000 customers being deprived of essential and basic banking services over a 28 day period during June and July 2012. The fine and reprimand are in addition to a redress scheme required and overseen by the Central Bank under which the Firm has paid approximately €59 million to affected customers.

The Central Bank found that the Firm failed to have robust governance arrangements in relation to its IT systems and controls and that, as a result, a major and prolonged IT failure occurred. Alongside causing widespread and significant loss and inconvenience to customers, the IT failure also threatened confidence in the operation of the retail banking sector as it effectively prevented the Firm from participating in the process used to settle payments among banks ("clearing"). These findings have been accepted by the Firm as part of the settlement agreement between the Central Bank and the Firm.

The Central Bank's Director of Enforcement, Derville Rowland, has commented as follows:

"The summer of 2012 saw an unprecedented disruption to banking services as a result of a failure that occurred on the IT systems that Ulster Bank Ireland Limited used to process daily banking transactions. The IT failure caused significant and unacceptable inconvenience to affected customers trying to carry out their everyday financial transactions. Over a prolonged period of time customers were unable to access cash through ATMs/cash and pay for goods and services and there was a delay in the processing of payments in and out of accounts. As the provision of financial services to customers represents the core business function of the Firm, the major breakdown in the Firm's provision of these services as a result of IT failings is completely unacceptable.

This enforcement action taken under our Administrative Sanctions Procedure is one of a number of measures that have been taken by the Central Bank in respect of the IT governance failings of the Firm. The €3,500,000 fine is the highest that has been imposed to date by the Central Bank and it reflects the seriousness with which the Central Bank views the failings of the Firm and the Central Bank's determination to ensure that customers have access to core banking services without disruption. In addition, the Central Bank required the Firm to put in place a comprehensive redress plan in response to the major *inconvenience and disruption which has paid approximately €59 million to affected customers.*

Firms are required to ensure that they maintain robust governance arrangements including, amongst other things, appropriate internal control mechanisms covering all aspects of their operations and infrastructure. IT systems critically underpin and support a firm's operations and accordingly it is essential that robust IT governance arrangements are in place to ensure continuity of service.

While the Central Bank recognises that IT outsourcing is a feature of modern banking business, outsourcing is no defence for regulatory failings. Ultimate accountability for compliance remains with firms and they must ensure that they maintain oversight of outsourced activities. Senior management must ensure that risks associated with outsourced activities are appropriately managed and must be aware that outsourcing arrangements can never result in the delegation of their responsibility to manage the risks associated with such activities. The obligations imposed upon firms and management applies equally to situations where activity is outsourced on an intra-group basis or to a third party. Where firms and their management fail to ensure that robust governance arrangements are in place for in-house and outsourced IT systems, they should expect vigorous investigation and follow up by the Central Bank, and for the Central Bank to exercise its powers, including sanctioning powers where appropriate.

The Central Bank would like to acknowledge the cross-jurisdictional cooperation it received from the Financial Conduct Authority and the Prudential Regulation Authority in the UK."

Background

The Firm is reliant on the Royal Bank of Scotland Group ("RBSG") for the provision of IT services including IT risk oversight and management. The Firm entered into an outsourcing services agreement with RBSG for the provision of IT services in 2005.

During June 2012, software that RBSG used to process banking transactions across all of its businesses, including the Firm, failed. The immediate cause of the failure arose from difficulties with a software upgrade supplied by a third party that had been installed by RBSG a few days prior to the IT incident. As a result of the IT incident, the process of updating transactions and customer payments did not run for an extended period of time. This resulted in significant customer and market place disruption. Full account services for the Firm's customers were not restored until 16 July, which was 28 days after the IT incident first occurred.

The impacts of the IT incident on the Firm's customers included: late processing of payments in and payments out of accounts; inability to access ATMs/cash;

late transfers of payments against customers' credit card balances; incorrect credit and debit interest on accounts/cards; duplicative payments; customers' inability to honour financial commitments (with impact on credit history); inability to pay for goods and services; inability to use online banking; inability of commercial customers to use the banking system and inability to view account balances. Additionally, customers of other financial services providers were also affected as they were unable to receive monies from the Firm's customers and were accordingly unable to honour their own financial commitments.

The Firm took steps to accommodate affected customers during the period of the IT incident. These steps included extending branch and call centre opening times, extending credit limits, offering free cash advances to customers, using a third party bank to process key payments and reassuring customers that their credit history would not be permanently affected. While the Firm provided updates to customers regarding the timelines for resolution of the IT incident based on information provided to it, due to a lack of understanding of the complexity of the manner in which it's banking transactions were processed, these timelines proved inaccurate.

Central Bank Action

After the occurrence of the IT incident, the Central Bank immediately engaged with the Firm and RBSG, together with the then UK Financial Services Authority ("FSA"), with a view to resolving the disruption caused by the IT incident as quickly as possible. The Central Bank closely monitored the steps taken by the Firm and RBSG to resolve the IT incident and to mitigate its effects. The threat of widespread disruption to the clearing and settlement system posed by the IT incident was mitigated through cooperation between the Central Bank and the Irish Payments Services Organisation that involved the coordination of industry support in order to address and manage the threat. Industry support resulted in the re-routing of bulk electronic payments, including corporate payrolls and social welfare payments, through another clearing bank.

Following the resolution of the IT incident, the Central Bank required the Firm to implement a redress scheme and engaged extensively with the Firm regarding the development of the key principles of that scheme as well as the operational readiness of the Firm to implement the scheme. The Central Bank was concerned to ensure that all affected customers, where appropriate, could avail of redress and that full details of the scheme were made publicly available. The redress scheme commenced on 3 September 2012 and the Central Bank actively monitored the implementation of the scheme. To date the Firm has paid approximately €59 million in redress related to the IT incident.

The Central Bank also contributed to the scoping of an independent review ordered by the FSA, to establish the causes, consequences and management of the IT incident. The review identified a number of serious issues regarding the Firm's governance arrangements. On foot of the review the Central Bank required the Firm to implement a programme of remediation to address these specific issues. The programme is currently being implemented by the Firm. The programme is scheduled to be fully implemented by March 2015.

As part of the programme the Firm is taking steps to ensure that it has effective oversight of the IT systems on which its business operates and that controls and testing processes are in place. The Firm has also enhanced its outsourcing framework. Enhancements include new service level agreements, service performance monitoring, risk oversight and the appointment of a dedicated outsourcing services team. The Firm's incident management framework has also been strengthened and detailed business contingency plans are in place including an extensive list of temporary business processes which can be deployed in the event of a core systems failure.

The implementation of the programme is being verified by the same independent third party that conducted the review in order to provide assurance that the work undertaken by the Firm as part of the programme will address the specific issues identified in the review. The Board of Directors of the Firm has undertaken to provide assurance to the Central Bank that the programme has been fully implemented after its completion.

Contravention

Regulation 16 of the European Communities (Licensing and Supervision of Credit Institutions) Regulations 1992 (the "1992 Regulations") required every credit institution to have robust governance arrangements, including effective processes to identify, manage, monitor and report the risks it was or might have been exposed to and to have adequate internal control mechanisms[1]. The Firm breached Regulations 16(3), 16(3)(b) and 16(3)(c) of the 1992 Regulations by failing to have: (i) robust governance arrangements in relation to its IT systems and controls; (ii) effective processes to identify, manage, monitor and report the IT risks it was or might have been exposed to; and (iii) adequate internal control mechanisms in place to sufficiently manage the IT environment in which it operated.

The Central Bank has concluded that the Firm did not have adequate governance arrangements to ensure appropriate oversight of the IT services provided by RBSG and therefore did not comply with its obligations under Regulation 16 as a licensed credit institution. The Firm did not ensure that appropriate testing was conducted in relation to the software affecting the processing of banking transactions which directly affected its ability to provide core banking services to its customers. The manner of processing banking transactions that was used by RBSG was not properly understood by the Firm. The Firm did not understand the potential impact of the related risks on its operations and customers and thus was not in a position to demonstrate that it satisfied its regulatory obligations in this regard. Furthermore it did not have the expertise or understanding to resolve the IT incident within an appropriate timeframe.

Penalty Decision Factors

In deciding the appropriate penalty to impose, the Central Bank considered the following matters:

- There were systemic weaknesses in the Firm's governance arrangements in relation to IT systems and controls and the outsourcing of those systems and controls. Accordingly the Firm did not have a proper understanding of the IT infrastructure on which its business operated, and did not understand the risks associated with that infrastructure and the software used to process its customers' banking transactions.
- There was no appropriate business continuity/contingency plan in place to enable the Firm to recover in a timely manner from an incident like the IT incident in June 2012;
- The extended duration of the IT incident;
- The significant loss and inconvenience caused to customers of banking services as a result of the IT incident;
- The potential impact of the contraventions on the orderliness of financial markets and public confidence in those markets due to the Firm's inability to participate in clearing and settlement;
- The risk mitigation programme that the Firm is in the process of implementing to remediate the deficiencies identified;
- The redress scheme implemented by the Firm;
- The previous compliance record of the Firm;
- The cooperation of the Firm during the investigation and in settling at an early stage in the Central Bank's Administrative Sanctions Procedure.

The Central Bank confirms that the matter is now closed.

- End -

Notes to Editors:

1. The fine imposed by the Central Bank represents the maximum amount that the Central Bank could impose in the circumstances, allowing for settlement discount in accordance with Central Bank policy. Prior to the commencement of the Central Bank (Supervision and Enforcement) Act 2013 (the "2013 Act") the maximum penalty that the Central Bank could

impose on a body corporate under section 33AQ of the Central Bank Act 1942 was €5,000,000. As the breaches at issue in this case occurred prior to the commencement of the 2013 Act the maximum penalty that the Central Bank could impose was €5,000,000. Since the commencement of the 2013 Act the Central Bank may impose a monetary penalty upon a body corporate or an unincorporated body of the greater of €10,000,000 or an amount equal to 10 per cent of the turnover of the body for its last complete financial year before a finding is made and a monetary penalty of €1,000,000 upon a natural person.

2. The fine imposed by the Central Bank is the highest fine imposed to date under the Administrative Sanctions Procedure. In July 2013, the Central Bank entered into a settlement agreement under the Administrative Sanctions Procedure with Quinn Insurance Limited (In Administration). The Bank levied a fine of €5,000,000 in that case. As noted in the press release announcing that settlement, however, the fine was waived given the wholly exceptional circumstances of that case.
3. As set out in the Central Bank's "Outline of the Administrative Sanctions Procedure", the Central Bank allows for a maximum percentage settlement discount of 30% to be applied to any monetary penalty that would otherwise be expected to be imposed on a regulated entity should a settlement agreement be reached during Stage 1 of the Administrative Sanctions Procedure and a maximum percentage discount of 10% to be applied should a settlement agreement be reached during Stage 2 of the procedure.
4. Firms should also ensure that their operations are consistent with guidelines issued by the Committee of European Banking Supervisors ("CEBS") in December 2006 in respect of outsourcing. The European Banking Authority took over all of the responsibilities and tasks of CEBS with effect from 1 January 2011 and the guidelines remain effective. The guidelines set out, amongst other things that the ultimate responsibility for the management of the risks associated with outsourced activities rests with the senior management of the outsourcing firm and that outsourcing arrangements can never result in the delegation of senior management's responsibility. The European Banking Authority ("EBA") is an independent EU Authority which works to ensure effective and consistent prudential regulation and supervision across the European banking sector. Its overall objectives are to maintain financial stability in the EU and to safeguard the integrity, efficiency and orderly functioning of the banking sector.
5. While the Central Bank will take the action as outlined above in respect of failures by firms to ensure that robust governance arrangements are in place when it is within its remit to do so, in certain instances the European Central Bank ("ECB") and not the Central Bank will be the competent authority for the investigation and sanctioning of governance breaches amongst other breaches of financial services and regulatory law, since the introduction of the Single Supervisory Mechanism on 4 November 2014. There will also be other instances where the ECB may require the Central Bank to open proceedings with a

view to taking action in order to ensure that appropriate penalties are imposed in respect of breaches of financial services and regulatory law. The Central Bank is committed to ensuring that governance breaches are investigated and pursued by the appropriate authority, be that the ECB or the Central Bank itself.

6. The Irish Payments Services Organisation ("IPSO") was the industry body for payments services in Ireland at the material time. Since the IT incident the IPSO has integrated with the Irish Banking Federation to form the Banking and Payments Federation Ireland.
7. RBSG is now supervised by the Financial Conduct Authority ("FCA") and the Prudential Regulation Authority ("PRA"). The FCA and the PRA were established, with effect from 1 April 2013, pursuant to the United Kingdom's Financial Services Act 2012.
8. RBSG was directed to commission the review to establish the causes, consequences and management of the IT incident by the FSA pursuant to section 166 of the United Kingdom's Financial Services and Markets Act 2000. The Central Bank provided input into the scope of the review.

[1]The 1992 Regulations were revoked by Regulation 161 of the European Union (Capital Requirements) Regulations 2014 (the "2014 Regulations") with effect from 31 March 2014. The 2014 Regulations impose new obligations on credit institutions in respect of governance arrangements and systems and controls.

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

Retail Interest Rate Statistics: September 2014

14 November 2014

Key Developments[1]

- The weighted average interest rate on outstanding loans to households for house purchase remained relatively stable at 2.74 per cent at end-September. The equivalent euro area rates were 49 basis points higher at 3.23 per cent. The interest rate on new loan agreements to households for house purchase[2], with either a floating rate or initial rate fixation of up to one year, increased by 25 basis points to 3.47 per cent at end-September 2014.
- The weighted average interest rate on total outstanding household term deposits continued to decline to 1.81 per cent at end-September. There is evidence that household deposit volumes are moving from medium-term categories towards the overnight category, highlighting the low deposit rates currently on offer across all maturities.
- The weighted average interest rate on new loan agreements to NFCs up to €1 million (often used as a proxy for SME lending) increased by 12 basis points to stand at 5.15 per cent at end-September.

Households

Loans to Households

The weighted average interest rate on outstanding loans to households for house purchase rose to 2.74 per cent at end-September 2014, rising by two basis points over the month. The corresponding end-September interest rate for the euro area was higher, at 3.23 per cent. Interest rates on outstanding mortgages in Ireland have tended to follow movements in the ECB's main refinancing rate (MRO) more closely than equivalent euro area rates due to the higher proportion of tracker and other variable rate mortgage products in the domestic market (Chart 1). However, more recently, this traditional relationship is seen to have weakened. The ECB's MRO rate was cut by 10 basis points on 10th September to just 0.05 per cent, following a similar 10 basis point decline in June. In contrast, Irish rates, applicable to outstanding loans to households for house purchase, have actually risen by two basis points at end-September 2014.

The interest rate on new loan agreements to households for house purchase, with either a floating rate or initial rate fixation of up to one year, was 3.47 per cent at end-September 2014, representing a 25 basis point increase from the end-August rate. The corresponding interest rate at end-September for the euro area was 96 basis points lower at 2.51 per cent. Loans in this category accounted for 89 per cent of all new mortgage business in the domestic market over the past year. In contrast, floating rate loans in the euro area accounted for 25 per cent of new mortgage business over the same period.

The weighted average interest rate on new loans to households for non-housing purposes decreased by 192 basis points over the month, to stand at 6.28 per cent at end-September. The corresponding euro area interest rate decreased by 20 basis points at end-September, to stand at 4.53 per cent. It should be noted, however, that new business volumes for loans to households for non-housing purposes have been particularly low in recent years, resulting in pronounced volatility.

The weighted average interest rate on outstanding amounts of non-housing related loans was 7.46 per cent at end-September 2014, representing an 11 basis point increase over the month, and a 102 basis point rise since September 2013. This year-on-year increase was reflected across all three maturity categories of loans for consumption and other purposes, with loans in the medium-term category (fixation period of one to five years) exhibiting the most pronounced increase. The corresponding end-September rate for all non-housing loans in the euro area was 196 basis points lower than the Irish rate at 5.5 per cent.

Deposit from Households

The interest rates on new household term deposits decreased by six basis points to 0.57 per cent at end-September 2014. This also represented a year-on-year decrease of 22 basis points.

The weighted average interest rate on total outstanding household term deposits continued to fall in September to 1.81 per cent, representing a 173 basis point fall since their last increase in April 2012. Over the past number of months, there has been some evidence of movement from deposits in the medium-term category towards the overnight category, highlighting the low interest-rate environment. At end-September 2014, interest rates on deposits with agreed maturity up to two years stood at 1.83 per cent, representing a 56 basis point decrease since end-September 2013.

Non-Financial Corporations (NFCs)

Loans to NFCs

The weighted average interest rate on new loan agreements to NFCs up to €1 million (often used as a proxy for SME lending) increased by 12 basis points since August 2014, standing at 5.15 per cent at end-September. The corresponding interest rate charged by euro area credit institutions in September was 185 basis points lower at 3.29 per cent.

In terms of new business for NFC loans above €1 million, the weighted average interest rate decreased by 12 basis points to 3.2 per cent at end-September. The volumes in new business categories have been particularly low, resulting in pronounced month-on-month volatility. The equivalent euro area interest rate declined by 3 basis points in September 2014, standing at 1.92 per cent.

The weighted average interest rate on outstanding loans to NFCs issued by Irish-resident credit institutions increased to 3.19 per cent at end-September 2014 (Chart 2). The twelve-month average for this rate was 3.1 per cent. The euro area weighted average interest rate for the month of September was 3.14 per cent.

Deposits from NFCs

The interest rate on new term deposits from NFCs decreased by 9 basis points to 0.38 per cent at end-September 2014. This rate has been relatively stable over the past year, recording a twelve-month average of 0.44 per cent. The equivalent monthly rate offered by euro area credit institutions was higher at 0.54 per cent at end-September 2014.

The weighted average interest rate on outstanding NFC term deposits fell by seven basis points to 1.16 per cent at end-September 2014. This represents a fall of 41 basis points since September 2013. Annual developments were driven by deposits with agreed maturity of up to two years, which accounted for 95 per cent of all NFC term deposits over the past year.

Note to Editors:

Retail Interest Rate Statistics cover all euro-denominated lending to, and deposits from, households and non-financial corporations (NFCs) in the euro area by credit institutions resident in Ireland. Interest rates on outstanding amounts cover all loans and deposits outstanding on the last working day of the month, while interest rates applicable to new business volumes cover all new loan and deposit business agreed during the month.

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 renegotiation of existing deposits and loans. Automatic renewals of existing contracts, which occur without any involvement by the customer, are not included in new business. 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.

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

[2] In the MIR framework, new loan agreements to households for house purchase with either a floating or initial rate fixation period of up to one year, is broader in scope than just 'new mortgages', issued at variable interest rates. There are a number of factors that can lead to differences between MIR statistics and interest rates advertised by resident credit institutions including renegotiated loans, the inclusion of home improvement loans, and the underlying MIR compilation methodology.

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

Central Bank Publishes New Research on Macro Prudential Policy

17 November 2014

The Central Bank of Ireland today (17 November 2014) publishes new research by economists Daragh Clancy and Rossana Merola (Research Technical Paper 15/14) entitled "The effect of macroprudential policy on endogenous credit cycles". The Article analyses the role of macroprudential policy, in particular bank capital requirements, in minimising negative macro-financial feedback loops. These have proven to be a key driver of the scale and depth of the recent crisis.

The key findings of the research are as follows:

- We illustrate how expectations of future favourable events can accelerate credit growth and result in a more vulnerable economy, susceptible to negative shocks.
- We find that time-varying capital requirements are more effective than constant targets in insulating the economy from such downside risks.
- Adjusting the minimum capital requirement in response to the financial cycle encourages banks to develop capital buffers during periods of economic expansion.
- These buffers can then be released during a downturn, enabling banks to play a key role in economic recovery.

Further information: Press Office: (01) 224 6299; press@centralbank.ie

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

Central Bank of Ireland Issues Warning on Unauthorised Investment Firm/Investment Business Firm

Press Release 17 November 2014

The Central Bank of Ireland today published the name of an unauthorised investment firm/investment business firm, Zenith Capital Ventures (Hong Kong). Zenith Capital Ventures (Hong Kong) is not authorised by the Central Bank as an investment firm, an investment business firm or to provide investment advice.

It is a criminal offence for an unauthorised firm/person to provide financial services in Ireland that would require an authorisation under the relevant legislation for which the Central Bank is the responsible body for enforcing. Consumers should be aware that, if they deal with a firm/person who 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/persons may telephone (01) 224 4000. This line is also available to the public to check if a firm/person is authorised. Since obtaining the necessary legal powers in August 1998, the names of 248 unauthorised firms/persons have been published by the Central Bank.

Notes to editors:

The name of the above firm/person is published under the Central Bank (Supervision and Enforcement) Act 2013.

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

Central Bank Publishes Skilled Persons' Reporting – Statement of Proposed Use.

19 November 2014

The Central Bank of Ireland has today (19 November 2014) published a Skilled Persons' Reporting – Statement of Proposed Use.

Part 2 of the Central Bank (Supervision and Enforcement) Act, 2013 provides the Central Bank with the power, for the purposes of the proper and effective regulation of financial service providers, to require a regulated financial services provider or a related undertaking of a regulated financial services provider to produce a report on such matter(s) as the Central Bank may specify.

The Statement applies to all firms regulated by the Central Bank and sets out the Central Bank's policy and expectations when using the Skilled Persons' Reporting Powers as a supervisory tool. The Statement covers:

- Use of the Skilled Persons' Reporting Powers;
- Preparation of the Skilled Persons' Report;
- Expectations in respect of a Skilled Person, and
- Confidentiality.

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

New Research on Central Bank Minutes

Press Release 20 November 2014

The Central Bank of Ireland today publishes a new Economic Letter entitled "Central Bank Minutes" (Economic Letter Vol. 2014, No. 12).

The Economic Letter reviews the literature on the publication of minutes by central banks and examines the evolution of minute publication over the past several years. The format and main features of the minutes of 24 central banks are summarised across four dimensions: length, timeliness, attribution (subdivided into general discussion and voting) and dissent.

The key findings include:

- Empirical studies generally find that the publication of minutes by central banks provides useful information to market participants and the public.
- The number of central banks publishing minutes has increased over recent years, and this increase is correlated with the increase in overall central bank transparency.
- In general, central banks that publish minutes are amongst the most transparent banks.
- There is diversity in the minutes of central banks across the four dimensions explored.

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

Central Bank Publishes Additional Consumer Protection Requirements for the Debt Management Sector

21 November 2014

The Central Bank of Ireland today (21 November 2014) publishes a revised Consumer Protection Code, including additional requirements specifically for debt management firms.

These additional rules are being introduced following the completion of a public consultation process. The rules strengthen protections for consumers using debt management services. They include:

- A ban on paying for client referrals or client leads.
- A ban on arranging credit for consumers for the purposes of paying their fees or charges for providing debt management services.
- A ban on preventing clients from directly dealing with creditors. A debt management firm must not prevent or obstruct their consumers from communicating directly with their creditors if they wish to do so. A debt management firm must also provide consumers with an 'Information to be Provided to Consumers' document, which includes details on what happens and how any outstanding charges are dealt with, if a consumer stops using the firm at any stage.
- Consumer agreement on charges. A debt management firm can only charge after the consumer has signed an agreement which clearly specifies the charges payable for the service, when they must be paid and the services that will be provided for those charges.
- Financial assessments. Firms must consider the full range of debt solutions available to and suitable for the consumer, based on their personal circumstances.
- Provision of statement of advice. This must include an explanation of the options available to the consumer, how these options work and a description of the consequences for the consumer of accepting such options. After this is provided to a consumer (before the debt management firm undertakes any of the action advised), the consumer must be given at least 5 business days to consider the advice.
- Negotiation updates and consumer consent to agreement. The firm must notify the consumer of the outcome of the negotiations within 3 business days of negotiations and the firm must have the consumer's consent before agreeing a negotiated outcome.
- Provision of information about debt management services. A standard information template must be provided upfront to the consumer on 'What you should know about Debt Management services'. In addition, firms are required to signpost consumers to the availability of free debt advice.

Director of Consumer Protection Bernard Sheridan said "These requirements are being introduced to provide additional protections for consumers of debt management firms, who may be in a vulnerable position. Debt management firms have a responsibility to protect their consumers' best interests and we expect firms to demonstrate that they can deliver on this."

"If a consumer finds themselves struggling with debt, the first positive step they can take is to engage with their lender immediately to try to resolve or manage their debt issues.

"Before signing any agreement with a debt management firm, the Central Bank encourages all consumers to make sure that they fully read and understand the amount and nature of any fees being charged and are also clear on what services they can expect from the firm in return for these charges.

"Consumers should also be aware that free, independent debt advice is available, for example, from the Money Advice and Budgeting Service (MABS)."

Further information: Press Office: (01) 224 6299; press@centralbank.ie

Note to editors

The Central Bank (Supervision & Enforcement) Act, 2013 provides for a regulatory regime in respect of the services of debt management firms that previously fell outside existing regulatory regimes i.e. debt advice and negotiation with creditors for the discharge of debt.

The Government introduced legislation in August 2013 requiring debt management firms to be authorised and regulated by the Central Bank. Following the introduction of that legislation, the Central Bank, in October 2013, published Authorisation Standards and Requirements for debt management firms, which included a requirement to comply with the Minimum Competency Code, 2011. In March 2014 the Minimum Competency Code was updated to clarify the obligations of debt management firms.

A debt management firm is defined as:

'A person who for remuneration provides debt management services to one or more consumers, other than an excepted person.'

Debt management services are defined as:

1. Giving advice about the discharge of debt (in whole or in part), including advice about budgeting in connection with the discharge of debts;
2. Negotiating with a person's creditors for the discharge of a person's debts (in whole or in part);
3. Any similar activity associated with the discharge of debts.

Debt management firms are not authorised to make payments on behalf of clients or hold client funds unless it holds another appropriate authorisation such as an authorisation as a payment institution or a money transmission business pursuant to the European Communities (Payment Services) Regulations 2009 or Part V of the Central Bank Act 1997 respectively.

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

Central Bank of Ireland Issues Warning on Unauthorised Retail Credit Firm

21 November 2014

The Central Bank today published the name of an unauthorised retail credit firm, Equinox Financial House (Ireland). Equinox Financial House (Ireland) is not authorised as a retail credit firm by the Central Bank.

It is a criminal offence for an unauthorised firm/person to provide financial services in Ireland that would require an authorisation under the relevant legislation for which the Central Bank is the responsible body for enforcing. Consumers should be wary of advertisements offering loans from unauthorised/anonymous firms or persons. Consumers can check the Central Bank registers online to find out if a firm they are dealing with is authorised.

Any person wishing to contact the Central Bank with information regarding such firms/persons may telephone (01) 224 4000. This line is also available to the public to check if a firm/person is authorised. Since obtaining the necessary legal powers in August 1998, the names of 249 unauthorised firms/persons have been published by the Central Bank.

Notes to editors

The name of the above firm/person is published under the Central Bank (Supervision and Enforcement) Act 2013.

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

Central Bank of Ireland Issues Warnings on Two Unauthorised Investment Firms/Investment Business Firms

24 November 2014

The Central Bank of Ireland today (24 November 2014) published the names of two unauthorised investment firms/investment business firms, Phoenix Financial Services (USA) and Miyako Mergers & Acquisitions (Japan). Phoenix Financial Services (USA) and Miyako Mergers & Acquisitions (Japan) are not authorised by the Central Bank as investment firms, investment business firms or to provide investment advice.

It is a criminal offence for an unauthorised firm/person to provide financial services in Ireland that would require an authorisation under the relevant legislation for which the Central Bank is the responsible body for enforcing. Consumers should be aware that, if they deal with a firm/person who 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/persons may telephone (01) 224 4000. This line is also available to the public to check if a firm/person is authorised. Since obtaining the necessary legal powers in August 1998, the names of 251 unauthorised firms/persons have been published by the Central Bank.

Notes to editors:

The name of the above firm/person is published under the Central Bank (Supervision and Enforcement) Act 2013.

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

Central Bank Publishes Papers from EBA Conference

26 October 2014

The Central Bank has published the following economic papers:

1. Loan loss forecasting: a methodological overview by Edward Gaffney, Robert Kelly, Paul Lyons, Fergal McCann. This paper provides an overview of the 3 papers to be delivered at the conference as itemised below.
2. Modelling default transitions in the UK mortgage market by Fergal McCann
3. A Transitions-Based Model of Loan Loss for Irish Mortgages by Robert Kelly & Terence O'Malley
4. A transitions-based framework for estimating expected credit losses by Edward Gaffney, Robert Kelly, Fergal McCann

These papers will be delivered at the 3rd EBA Policy Research Workshop “How to measure the riskiness of banks” on 25 – 26 November 2014.

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

Central Bank Publishes Consultation Paper on New Regulations for Credit Unions

27 November 2014

The Central Bank of Ireland today published Consultation Paper 88 on new regulations for credit unions.

The proposed regulations cover a number of areas including, reserves, liquidity, lending, investments, savings and borrowings, and build upon existing prudential and governance requirements.

Registrar of Credit Unions, Anne-Marie McKiernan said: ‘these regulations will foster a safer stronger credit union sector, through an enhanced regulatory framework. The regulations reflect existing requirements, some of which have been amended, and also propose a number of additional requirements.’

The draft regulations take account of feedback received on the Consultation on the Introduction of a Tiered Regulatory Approach for Credit Unions (“CP76”).

It is proposed the new regulations will come into effect at the end of 2015 to coincide with the commencement of the remaining sections of the Credit Union and Co-operation with Overseas Regulators Act 2012.

Interested parties are asked to make submissions on the public consultation by 27 February 2015. As part of the consultation process the Central Bank will hold a series of nationwide information seminars over the next two weeks to inform, and engage with, credit unions.

Notes to Editor

The Report of the Commission on Credit Unions made a number of recommendations regarding the strengthening of the regulatory framework for credit unions. The Commission on Credit Unions also recommended that regulation making powers be delegated to the Central Bank. Many of these recommendations were reflected in the Credit Union and Co-operation with Overseas Regulators Act 2012 (the 2012 Act), which was enacted on 19 December 2012.

The introduction of the strengthened regulatory framework began on 1 August 2013 and since then most of the sections of the 2012 Act have commenced. When the remaining sections of the 2012 Act commence they will replace, amend or supplement existing sections of the Credit Union Act, 1997. The introduction of these new sections will remove some of the requirements, including limits, which currently exist in these sections and will give the Central Bank the power to make regulations.

The planned schedule of 2014 information seminars is set out below. These sessions are open to both board members and employees of credit unions.

2014 Information Seminar Dates and Locations			
Date	**Location**	**Venue**	**Time**
27 Nov	**Dublin, North**	Crowne Plaza Blanchardstown	Afternoon session: 2.30pm – 5.00pm Evening session: 7.00pm – 9.30pm
2 Dec	**Athlone**	Hodson Bay Hotel	Afternoon session: 2.30pm – 5.00pm Evening session: 7.00pm – 9.30pm
3 Dec	**Limerick**	Castletroy Park Hotel	Evening session: 7.00pm – 9.30pm
4 Dec	**Cork**	Rochestown Park Hotel	Evening session: 7.00pm – 9.30pm
9 Dec	**Dublin, South**	Bewley's Hotel Leopardstown	Afternoon session: 2.30pm – 5.00pm Evening session: 7.00pm – 9.30pm
10 Dec	**Kilkenny**	Rivercourt Hotel	Evening session: 7.00pm – 9.30pm

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

Central Bank of Ireland Issues Warning on Unauthorised Investment Firm/Investment Business Firm

Press Release 28 November 2014

The Central Bank of Ireland today (28 November 2014) published the name of an unauthorised investment firm/investment business firm, Capital Mergers & Acquisitions (Japan). Capital Mergers & Acquisitions (Japan) is not authorised by the Central Bank as an investment firm, an investment business firm or to provide investment advice.

It is a criminal offence for an unauthorised firm/person to provide financial services in Ireland that would require an authorisation under the relevant legislation for which the Central Bank is the responsible body for enforcing. Consumers should be aware that, if they deal with a firm/person who 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/persons may telephone (01) 224 4000. This line is also available to the public to check if a firm/person is authorised. Since obtaining the necessary legal powers in August 1998, the names of 252 unauthorised firms/persons have been published by the Central Bank.

Notes to editors:

The name of the above firm/person is published under the Central Bank (Supervision and Enforcement) Act 2013.

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

Money and Banking Statistics – October 2014

28 November 2014

Summary

Loans to non-financial corporations exceeded repayments by €261 million in October, reversing a trend of steady decline in recent months. Conversely, loans to households declined in October, following a net increase in September. Deposits from non-financial corporations grew by over €2 billion in October.

Loans and other credit

- Household loan repayments exceeded drawdowns by €576 million during October 2014, following a net monthly increase of €68 million in September. Developments in October were mainly driven by a €249 million decline in loans for house purchase.
- In the case of loans for house purchase, repayments have exceeded drawdowns for by €2.1 billion for the year to date. Repayments have also exceeded drawdowns by €1.5 billion for non-housing loans to households, in the year to end October.
- On an annual basis, lending to Irish households continued to fall, decreasing by 3.8 per cent in October 2014. Loans for house purchase, which account for 81 per cent of total household loans, declined at an annual rate of 3 per cent. Lending for consumption and other purposes declined by 7 per cent year-on-year.
- NFC loan drawdowns exceeded repayments by €261 million in October 2014 following a net decline of €514 million in September 2014. This was the first net increase since May, and the largest since September 2011. The increase was most pronounced for medium-term loans which increased by €180 million over the month. Meanwhile, short and longer-term NFC loans showed an increase of €178 million and a reduction of €98 million, respectively. Over the year to end-October, the net flow of NFC loans has fallen across all maturity categories, with the most pronounced fall seen in the up to one year category.
- Lending to Irish resident NFCs reported a year-on-year decline of 8.1 per cent in October 2014, following an annual decrease of 9.1 per cent in September. This resulted from annual declines across all maturity categories, with declines of 9.4 per cent, 8.0 per cent and 6.5 per cent recorded for short, medium and long-term sectors, respectively.
- Credit institutions' holdings of debt and equity securities issued by the Irish private sector decreased by €753 million during October 2014, following a decrease of €942 million in September. A decrease of €736 million in holdings of debt securities issued by the OFI sector was the

predominant reason for this fall: the annual rate of decline in this category was 18.1 per cent at end-October.

Deposits and other funding

- The outstanding stock of Irish private sector deposits totalled €175 billion at end-October 2014. Of this, 53 per cent represented household deposits, with NFC, OFI and ICPF deposits each accounting for 22 per cent, 20 per cent and 5 per cent, respectively.
- Household deposits increased by €707 million in October, and increased by €979 million in the year to date. There have been strong inflows into overnight deposits, growing by €4.5 billion over the year to end-October, while longer-term, agreed-maturity deposits fell by €3.5 billion.
- NFC deposits increased by €2.3 billion in October, and net inflows for the year to date amounted to €4.4 billion. Inflows were shared between IFSC and domestic banks.
- On an annual basis, household deposits grew by 0.5 per cent, with overnight deposits growing by 9.1 per cent and all other maturity categories showing year-on-year decline. NFC deposits increased by 18 per cent year-on-year, with overnight deposits again driving the annual change.
- The annual rate of change in OFI deposits was minus 18 per cent in October 2014, compared to an annual increase of 37.5 per cent in October 2013. This development is due to base effects, driven by a transaction in March 2013 related to the liquidation of the Irish Bank Resolution Corporation (IBRC).
- Deposits from ICPFs fell by 11.6 per cent over the year; this change was driven by developments in the agreed maturity categories of ICPF deposits which have shown a net outflow of €1.4 billion over the past twelve months.
- Credit institutions' borrowings from the Central Bank as part of Eurosystem monetary policy operations increased by €1.5 billion in October 2014. The outstanding stock of these borrowings increased to €20.5 billion at end-October. The domestic market group of credit institutions accounted for €14.4 billion of this total outstanding stock.

Note to Editors

Money and Banking Statistics currently include an aggregate balance sheet for the entire population of resident credit institutions, reported in Table A.4. Please note that the composition of the subsets of the population reported in Tables A.4.1 and A.4.2 have been updated as follows:

A.4.1 – Domestic Market Group: Institutions whose ultimate parent entity is resident in Ireland (including credit unions), or which have a significant (>20 per cent) level of business with Irish households and non-financial corporations in terms of their overall resident business activity.

A.4.2 – Irish-Headquartered Group: Institutions whose ultimate parent entity is resident in Ireland. This includes all credit unions.

A full list of credit institutions resident in the Republic of Ireland, as well as the subset of institutions that comprise the Domestic Market Group, are available in the Credit, Money and Banking section of the Central Bank website.

[1] Changes in outstanding amounts need to be interpreted with caution, as they are increasingly influenced by reclassifications, including loan sales and changes in reporting population. Transactions and growth rates are better measures of activity over any given period.

[2] 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.

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

Update on DGS Payout to IBRC Limited Account Holders

1 December 2014

The Deposit Guarantee Scheme (DGS) has made further compensation payments to eligible depositors arising out of the liquidation of IBRC. Total compensation payments of €36m have been made to date.

Further compensation payments will be made as and when deemed eligible.

14 April 2014

The Deposit Guarantee Scheme (DGS) has made further compensation payments to eligible depositors arising out of the liquidation of IBRC. Total compensation payments of €32m have been made to date.

Further compensation payments will be made as and when deemed eligible.

14 March 2014

The Deposit Guarantee Scheme (DGS) has made further compensation payments to eligible depositors arising out of the liquidation of IBRC. Compensation has now been paid to 1,330 depositors totalling €31m.

The Special Liquidators continue to review deposits and further compensation payments will be made as and when deemed eligible.

10 February 2014

The Deposit Guarantee Scheme (DGS) has made further compensation payments to eligible depositors arising out of the liquidation of IBRC. Compensation has now been paid to 1,259 depositors totalling €28m.

The Special Liquidators continue to review deposits and further compensation payments will be made as and when deemed eligible.

23 December 2013

The Deposit Guarantee Scheme (DGS) has made further compensation payments to eligible depositors arising out of the liquidation of IBRC. Compensation has now been paid to 1,181 depositors totalling €25.1m.

The Special Liquidators continue to review deposits and further compensation payments will be made as and when deemed eligible.

9 December 2013

The Deposit Guarantee Scheme (DGS) has made further compensation payments to eligible depositors arising out of the liquidation of IBRC. Compensation has now been paid to 1,110 depositors totalling €20.8m.

The Special Liquidators continue to review deposits and further compensation payments will be made as and when deemed eligible.

13 November 2013

The Deposit Guarantee Scheme (DGS) has made further compensation payments to eligible depositors arising out of the liquidation of IBRC. Compensation has now been paid to 1,065 depositors totalling €18.8m.

The Special Liquidators continue to review deposits and further compensation payments will be made as and when deemed eligible.

2 October 2013

The Deposit Guarantee Scheme (DGS) has made further compensation payments to eligible depositors arising out of the liquidation of IBRC. Compensation has now been paid to 1,019 depositors totalling €16.4m.

The Special Liquidators continue to review deposits and further compensation payments will be made as and when deemed eligible.

14 June 2013

The Deposit Guarantee Scheme (DGS) has made compensation payments in five tranches to depositors of IBRC Limited totalling €11,283,318 to 685 depositors to date.

8 May 2013

The Deposit Guarantee Scheme (DGS) has made further compensation payments totaling €920,527 to 29 depositors of IBRC Limited, which was placed in liquidation on 7 February 2013. The DGS has made total compensation payments of €10.5 million to 623 depositors to date.

The Special Liquidators continue to review deposits held by customers who also hold loans, to establish if a right of set off applies.

These investigations may identify additional accounts which qualify for DGS compensation and further payments will be made in due course.

15 April 2013

The Deposit Guarantee Scheme (DGS) has made further compensation payments totaling €580,957 to 200 depositors of IBRC Limited, which was placed in liquidation on 7 February 2013. The DGS has made total compensation payments of €9.6 million to 594 depositors to date.

The Special Liquidators continue to review deposits held by customers who also hold loans, to establish if a right of set off applies. The Central Bank is processing applications for DGS compensation from small companies.

These investigations may identify additional accounts which qualify for DGS compensation and further payments will be made in due course.

7 March 2013

The Deposit Guarantee Scheme (DGS) has today made compensation payments totalling €9.03 million to 394 depositors of IBRC Limited. The maximum compensation payable is €100,000 per person. Cheques have been posted to customers of IBRC Limited, which was placed into liquidation on 7 February 2013.

The initial compensation payments cover holders of structured deposits/tracker bonds and deposits confirmed by the Special Liquidators as ready for pay-out, as no right of set off applies to them.

Remaining deposits are still under review.

- The Special Liquidators continue to review deposits held by customers who also hold loans in IBRC Limited to establish if a right of set off applies.
- The Central Bank is processing applications by small companies.
- The Central Bank is seeking further information on a small number of client accounts and trust accounts to determine the identity and eligibility of the underlying beneficiaries.
- The Special Liquidators are reviewing a number of un-cashed cheques issued by IBRC Limited to depositors in respect of withdrawals from their accounts in the recent past.

These investigations may identify additional accounts which qualify for DGS compensation and payments will be made in due course.

Notes to Editor

The compensation payments have been made from the Deposit Protection Account (DPA), operated by the Central Bank of Ireland and funded by credit institutions covered by the scheme. The balance in the DPA was €388 million prior to this compensation event.

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 Provident Personal Credit Limited (t/a Provident)

1 December 2014

Central Bank of Ireland imposes fine on Provident Personal Credit Limited t/a Provident of €105,000 in respect of consumer protection failures relating to moneylending loans

The Central Bank of Ireland (the "Central Bank") has fined a licensed moneylender, Provident Personal Credit Limited t/a Provident (the "Firm") €105,000, and reprimanded it for breaches of legislation relating to certain moneylending practices. The Central Bank's investigations found serious breaches with regulatory requirements aimed at protecting consumers. These findings have been accepted by the Firm as part of the settlement agreement between the Central Bank and the Firm.

The Central Bank's investigations found that over the period from 2009 – 2012, that in relation to 117 loans provided out of the Firm's Letterkenny office, the Firm failed to advance the full amount of the loan to those consumers that they had entered into moneylending agreements with; some of the new loan being deducted and used to repay outstanding amounts on loans which had previously been provided to those consumers. As a consequence, the Firm breached its obligation to act in the best interests of its consumers and did not have in place adequate systems and controls to ensure compliance with its regulatory requirements.

The Central Bank also found that the Firm had in place internal procedures and controls that could have denied certain consumers their entitlement to pay off their outstanding loans early under their moneylending agreements.

The Central Bank's Director of Enforcement, Derville Rowland, commented:

"There are around 360,000 consumers of licensed moneylenders in Ireland. Loans from licensed moneylenders are being increasingly accessed by consumers and can be significantly more costly than those provided by other lenders such as banks and credit unions. Research conducted by the Central Bank in 2013 found that a quarter of consumers experience difficulties in meeting repayments to their moneylender.

"The Central Bank views compliance with all requirements imposed on licensed moneylenders as being fundamental to the protection of their consumers, particularly given they may be of limited means. The failure to provide these consumers with the full protections afforded to them by the requirements is unacceptable and viewed as being of the utmost seriousness by the Central Bank.

"The Central Bank does not have a tolerance for licensed moneylenders failing to comply with their legal obligations to "act in the best interests of its consumers"

and to put in place the appropriate resources and procedures to ensure compliance with this and all other legal obligations.

"Where licensed moneylenders fail to ensure full compliance with their legal obligations, they should expect vigorous investigation and follow up by the Central Bank, and for the Central Bank to exercise its sanctioning powers where appropriate."

Background

The Firm is a wholly owned subsidiary of Provident Financial plc and part of the Provident Financial group, a public limited company listed on the London Stock Exchange. The principal activity of the Firm is the provision of unsecured home credit loans to consumers in the Republic of Ireland where the Firm has operated as a licensed moneylender, under the Consumer Credit Act, 1995 (the "Act") since 1 August 1996. The Firm's business model is based upon the supply of low value loans, in situations whereby the majority of those loans are arranged by a large number of agents acting on behalf of the Firm.

The Act specifically envisages that a licensed moneylender can appoint agents to act on its behalf. Where the Central Bank becomes aware of non-compliance with regulatory requirements by an agent of a licensed moneylender, as far as the Act and the Central Bank are concerned, those actions constitute the actions of the Firm.

As the statutory body responsible for the regulation of the licensed moneylending sector, the Central Bank is responsible for, amongst other things, the on-going licensing and supervision of activities of licensed moneylenders including the monitoring of their compliance with legislative and regulatory requirements.

In late 2012 the Consumer Protection Directorate of the Central Bank conducted a themed inspection into licensed moneylenders, the results of which were published on 6 March 2013. The Central Bank highlighted in its publicity release, announcing the results of this themed inspection, that a number of issues outside of the scope of the themed inspection had been identified following a review of consumer files relating to concerns around compliance within industry with the requirements of Section 99 of the Act and Regulation 19 of Regulation 19(1) of the European Communities (Consumer Credit Agreements) Regulations, 2010 (S.I. 281 of 2010) (the "Regulations"). The matters that are the subject of the present settlement agreement relate to these areas of concern.

During the course of its investigations, the Central Bank became aware of a number of issues in the Firm's Letterkenny office in Co. Donegal. As part of the investigation of practices at this office, the Central Bank conducted a review of policies and procedures provided by the Firm, reviewed a sample of consumer loan agreements and interviewed a number of current and former agents of the Firm. Interviews with a sample of affected consumers were also conducted.

The contraventions

The Central Bank's investigations found that, during the period from January 2009 to December 2012, in respect of 117 loans provided out of the Firm's Letterkenny office, the Firm failed to advance the full amount of the loan to those consumers that they had entered into moneylending agreements with; some of the new loan being deducted and used to repay outstanding amounts on loans which had previously been provided to those consumers. This is in breach of Section 99 of the Act, which requires that a moneylender must ensure that *"Where credit is made available to a borrower by means of a moneylending agreement that credit shall not be reduced by the moneylender or a person acting on his behalf by any amount in respect of (a) repayment of the credit or any charges related thereto, or (b) repayment of a previous credit or any charges related thereto, and that no payment in respect of the credit shall be required of the borrower by the moneylender or a person acting on his behalf before the due date of the first payment instalment".*

The Central Bank has concluded that these breaches constitute a failure by the Firm to comply with its basic obligation to ensure that in all its dealings with its consumers it acted in their best interests. This amounted to a breach of General Principle 2 of the Consumer Protection Code for Licensed Moneylenders (the "Code") which requires that *"A moneylender must ensure that in all its dealings with consumers and within the context of its licence, it: acts with due skill, care and diligence in the best interests of its consumers".*

The Central Bank has also concluded that these breaches arose due to the Firm's failure to have in place adequate and effective resources and procedures, systems and controls to ensure compliance with its regulatory requirements. In particular, the Central Bank concluded that the Firm breached General Principle 4 of the Code which requires that *"A moneylender must ensure that in all its dealings with consumers and within the context of its licence, it: 4) Has and employs effectively the resources and procedures, systems and control checks that are necessary for compliance with this Code".*

The investigations also found that, during the period January 2010 to date, the Firm had internal credit control policies in place which may have prevented the early repayment of outstanding loans in certain circumstances. This is in breach of Regulation 19(1) of the Regulations, which provides that *"A consumer may at any time discharge fully or partially his or her obligations under a credit agreement. In such cases, he or she is entitled to a reduction in the total cost of the credit to the extent of the interest and the costs for the remaining duration of the agreement".*

Penalty decision factors

The size of the penalty that has been imposed in this case reflects the importance the Central Bank places on compliance by licensed moneylenders with their regulatory requirements particularly where breaches are found to have denied consumers certain rights and protections provided by the relevant legislation.

In deciding the appropriate penalty to impose, the Central Bank considered the following matters:

- The extended period of time over which these breaches occurred;
- The serious nature of a breach of Section 99 of the Act and the fact that a breach of this legislative requirement also constitutes a summary criminal offence;
- The previous compliance record of the Firm;
- The co-operation of the Firm during the investigation and in settling at an early stage in the Central Bank's Administrative Sanctions Procedure.

The Central Bank confirms that the matters referred to herein are now closed.

ENDS

Notes to Editors:

[1] The findings of the Central Bank of Ireland's themed inspection of licensed moneylenders is available on the Central Bank's website.

[2] The Central Bank of Ireland published its report on the licensed moneylending industry in Ireland on 8 November 2013. A summary of the report's main findings and a copy of the report are available on the Central Bank's website.

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

Residential Mortgage Arrears and Repossessions Statistics: Q3 2014

3 December 2014

Summary [1]

- The number of mortgage accounts for principal dwelling houses (PDH) in arrears continued to fall in Q3 2014 marking the fifth consecutive quarterly decline. A total of 117,889 (15.5 per cent) of accounts were in arrears at end-Q3, a decline of 6.4 per cent relative to Q2.
- PDH mortgage accounts in arrears over 90 days continued to fall during Q3. The number of accounts in arrears over 90 days at end-September was 84,955 (11.2 per cent of total), reflecting a quarter-on-quarter decline of 6 per cent. This represents the fourth consecutive decline in the number of PDH accounts in arrears over 90 days.
- Despite the fall in arrears over 90 days, the number of PDH accounts in arrears over 720 days continues to rise. However, the increase of 418 accounts in Q3 was the lowest increase recorded in this category to date.
- The total outstanding balance on PDH accounts in arrears over 720 days was just over €8 billion at end-September, equivalent to 7.6 per cent of the total outstanding balance on PDH mortgage loans.
- Some 109,911 PDH mortgage accounts were classified as restructured at end-September, reflecting a quarter-on-quarter increase of 7.8 per cent. Of these restructured accounts, 83.2 per cent were deemed to be meeting the terms of their current restructure arrangement. The largest increases in restructures were again recorded in the categories of split mortgages and arrears capitalisations.
- Buy-to-let (BTL) mortgage accounts in arrears over 90 days decreased by 0.4 per cent during the third quarter of the year; this follows two consecutive quarters of increase in this category. This increase was entirely driven by accounts in arrears over 720 days which grew by almost 900 over the quarter. At end-September, there were 15,435 BTL accounts in arrears over 720 days, with an outstanding balance of €4.8 billion equivalent to 16.6 per cent of the total outstanding balance on all BTL mortgage accounts.

Residential Mortgages on Principal Dwelling Houses

Arrears

At end-September 2014, there were 760,238 private residential mortgage accounts for principal dwellings held in the Republic of Ireland, to a value of

€105.5 billion. Of this total stock, 117,889 accounts were in arrears, a fall of 8,116 or 6.4 per cent over the quarter. Some 84,955 accounts (11.2 per cent) were in arrears of more than 90 days.[2] The number of accounts in arrears over 90 days fell by 6 per cent over the quarter, marking the fourth consecutive decline in arrears over 90 days. Banks subject to the Central Bank's MART targets recorded a larger quarter-on-quarter decline of 6.9 per cent in the number of PDH accounts in arrears over 90 days. The outstanding balance on all lenders' PDH mortgage accounts in arrears of more than 90 days was €16.6 billion at end-September, equivalent to 15.7 per cent of the total outstanding balance on all PDH mortgage accounts.

Early arrears declined significantly during the third quarter of the year. There was a quarter-on-quarter fall of 7.6 per cent in the number of accounts in arrears of less than 90 days, which stood at 32,934 at end-September, or 4.3 per cent of the total stock. Q3 2014 marked the first decline in longer-term arrears since data was first collected on this category. The number of accounts in arrears over 360 days reached 59,365 at end-September, equivalent to 7.8 per cent of the total stock of PDH mortgage accounts, representing a fall of more than 1600 accounts over the quarter. Despite the reduction in arrears over 360 days, very long-term arrears continued to increase. The number of accounts in arrears over 720 days rose by 418 in Q3, the smallest increase recorded for this category to date. Accounts in arrears over 720 days now constitute 31.8 per cent of all accounts in arrears, and 73 per cent of arrears outstanding. However, it is worth noting that the pace of increase in very long-term arrears moderated significantly in Q3 with only a 1.1 per cent quarter-on-quarter increase compared to a 5 per cent increase in Q2. The total number of PDH accounts in arrears declined by 6.4 per cent relative to Q2 (6.3 per cent decline in value terms). Nonetheless, the value of accounts in longer-term arrears over 360 days remains large, amounting to €12.2 billion at end-September.

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[3]. The figures also include advanced modification options such as split mortgages and trade-down mortgages, which have been introduced to provide more long-term solutions for customers in difficulty.

A total stock of 109,911 PDH mortgage accounts were categorised as restructured at end-September 2014. This reflects an increase of 7.8 per cent from the stock of restructured accounts reported at end-June. The share of interest only arrangements of less than one year and reduced payment arrangements fell further during Q3, to 22 per cent from 26 per cent at end Q2, indicating a continuing move out of short-term arrangements. Arrears capitalisations continued to increase during the third quarter of the year and accounted for 26 per cent of total restructures at end-September. Split mortgages also increased during this period, and now represent 15 per cent of all PDH restructures. A breakdown of restructured mortgages by type is presented in Figure 2. A total of 27,972 new restructure arrangements[4] were agreed during the third quarter of 2014. The data on arrears and restructures indicate that of the total stock of 117,889 PDH accounts that were in arrears at end-September, 38,973 (33.1 per cent) were classified as restructured at that time. Of the total stock of 84,955 PDH accounts that were in arrears of more than 90 days, 29.3 per cent were classified as restructured, up from 28.5 per cent at end-June.

Some 64.5 per cent of restructured accounts were not in arrears at end-September 2014. 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. At end-September, 83.2 per cent of restructured PDH accounts were deemed to be meeting the terms of their arrangement. This means that the borrower is, at a minimum, meeting the agreed monthly repayments according to the current restructure arrangement. It is important to note that 'meeting the terms of the arrangement' is not a measure of sustainability, as not all restructure types represent longer-term sustainable solutions as defined within the Mortgage Arrears Resolution Targets[5]. For instance, short-term interest only restructures are, in general, not part of longer-term sustainable solutions. The MART sustainability targets also include a significant number of accounts in arrears which are part of a legal process. These accounts are not classified as restructured within the Mortgage Arrears Statistics. Arrears associated with such accounts are recorded in full in the data.

Inability to meet the terms of the arrangement implies that the restructure agreement put in place may not have been suitable. Table 1 shows the percentage of restructured accounts that were deemed to be meeting the terms of their arrangement at end-September 2014, broken down by arrangement type. Lower numbers indicate a higher incidence of 're-default', and these are particularly evident amongst arrears capitalisation cases, as well as cases in which a permanent interest rate reduction has been granted. As the figures in Table 1 only reflect compliance with the terms of the current restructure arrangement, we should expect to see a higher percentage of compliance among the restructure types that are likely to be shorter-term.[6] Nonetheless, the figures imply that of the total stock of accounts in the arrears capitalisation category, 32 per cent of PDH accounts have 're-defaulted', i.e. the arrears balance has increased since the arrangement was put in place.

Legal Proceedings and Repossessions

During the third quarter of 2014, legal proceedings were issued to enforce the debt/security on a PDH mortgage in 2,514 cases. Court proceedings concluded in 712 cases during the quarter, and in 289 of these cases the Courts granted an order for repossession or sale of the property. There were 1,274 properties in the banks' possession at the beginning of the quarter. A total of 302 properties were taken into possession by lenders during the quarter, of which 47 were repossessed on foot of a Court Order, while the remaining 255 were voluntarily surrendered or abandoned. During the quarter 169 properties were disposed of. The number of properties in possession at the end of the quarter was also impacted by reclassification issues affecting 14 PDH accounts. These issues include the reclassification of PDH accounts as BTL accounts, as well as timing issues regarding the disposal of a small number of PDH properties. As a result, lenders were in possession of 1,393 PDH properties at end-September 2014.

Residential Mortgages on Buy-to-Let Properties

Arrears

At end-September 2014, there were 143,354 residential mortgage accounts for buy-to-let properties held in the Republic of Ireland, to a value of €28.8 billion. Some 38,463 (26.8 per cent) of these accounts were in arrears, compared to 39,669 (27.5 per cent) at the end of June. Of this total stock of accounts, 31,619, or 22.1 per cent, were in arrears of more than 90 days, reflecting a decrease of 0.4 per cent over the quarter. Banks subject to the Central Bank's MART targets recorded a slightly larger decline of 0.8 per cent in the number of BTL accounts in arrears over 90 days. The outstanding balance on all lenders' BTL mortgage accounts in arrears of more than 90 days was €8.9 billion at end-September, equivalent to 30.8 per cent of the total outstanding balance on all BTL mortgage accounts.

The number of BTL accounts that were in arrears of more than 180 days was 28,280 at end-September 2014, reflecting a quarter-on-quarter increase of 0.7 per cent, this represents a far more gradual increase than what has been seen in recent quarters. However, the most pronounced increase of 6.2 per cent was seen among accounts in arrears over 720 days. These now total 15,435 accounts or 11 per cent of the total stock of BTL mortgage accounts and 75 per cent of outstanding arrears. The outstanding balance on these accounts was €4.8 billion at end-September, equivalent to 17 per cent of the total outstanding balance on all BTL mortgage accounts. BTL accounts in arrears of up to 90 days fell sharply by 13.6 per cent in the third quarter of the year.

Restructuring Arrangements

A total stock of 24,942 BTL mortgage accounts were categorised as restructured at end-September 2014, reflecting an increase of 4.8 per cent from the stock of restructured accounts reported at end-June. Of this total stock of restructured accounts recorded at end-September, 62.1 per cent were not in arrears, while 77.4 per cent were meeting the terms of their restructure arrangement. A total of 5,544 new restructure arrangements were agreed during the third quarter of the year. Arrears capitalisation arrangements and reduced payment arrangements accounted for the majority of restructures in place for BTL mortgages with a 47.2 per cent share at end-September. The data on arrears and restructures indicate that of the total stock of 38,463 BTL accounts that were in arrears at end-September, 9,443 (24.6 per cent) were classified as restructured at that time.

Legal Proceedings and Repossessions

There were 611 BTL properties in the banks' possession at the beginning of Q3 2014. A total of 83 properties were taken into possession by lenders during the quarter, of which 13 were repossessed on foot of a Court Order, while the remaining 70 were voluntarily surrendered or abandoned. During the quarter 65 properties were disposed of. The number of properties in possession at the end of the quarter was also impacted by reclassification issues affecting 5 BTL accounts. These issues include the reclassification of PDH accounts as BTL accounts, as well as timing issues regarding the disposal of a small number of BTL properties. As a result, lenders were in possession of 634 BTL properties at end-September 2014.

Residential Mortgages issued by Non-Bank Lenders

Non-bank lenders accounted for 5.2 per cent of the total stock of residential mortgage accounts outstanding at end-September 2014 (5.4 per cent in value terms). A total of 18,064 mortgage accounts issued by these lenders were in arrears of more than 90 days at end-September – this figure accounted for 15.5 per cent of total mortgages in arrears over 90 days. The outstanding balance on these accounts was €3.8 billion, equivalent to 53 per cent of the total outstanding balance on all mortgage accounts issued by non-bank lenders.

Notes to Editors:

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 Q3 data are impacted by some estimation to cover loan books sold in recent quarters. These estimations, which relate to less than 1 per cent of the total number of mortgage loans, are included to ensure coverage of all outstanding mortgages in Ireland, as far as possible. The Central Bank will continue to make every effort to minimise the impact of asset sales on the aggregate statistics.

[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] 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.

[4] This includes first-time restructures and further modifications of existing restructures.

[5] Sustainable solutions are defined on Page 25 of the Mortgage Arrears Resolution Targets document.

[6] It should also be noted that some categories reflect only a small number of arrangements, particularly in the case of BTL accounts.

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

Central Bank's Reminder to Consumers of Moneylenders, Who Are Offered Additional Loans Over the Christmas Period

4 December 2014

The Central Bank of Ireland today reminded consumers to think twice before taking on further loans from moneylending firms, in addition to their existing loans. Our 2013 research on the Moneylending Industry showed that one in five consumers (21%) took out a new loan before another loan was paid off. Of these, 27% of the consumers interviewed claimed that they had used their new loan to reduce an existing loan.

Director of Consumer Protection, Bernard Sheridan, said "Households often have additional expenses at this time of year, and consumers could be tempted to take out additional loans to cover these expenses, including from moneylending firms. This could take consumers into a rolling cycle of high-cost borrowing and potential debt, especially given the high-cost nature of moneylender loans, when compared with loans from banks and credit unions.

"If a consumer does choose to take out an additional loan from a moneylender they should check that the moneylender is licensed by the Central Bank. Moneylenders licensed by the Central Bank are prohibited from keeping any amount of a new loan to repay an existing loan".

He also had advice for those experiencing difficulties: "If you have missed repayments, you're protected insofar as your moneylender cannot charge you extra. However, if you find yourself having difficulties managing your money, contact the Money Advice and Budgeting Service who offer free budgeting advice and will help you manage your debt."

Notes to editors:

- Since the Central Bank assumed responsibility for the licensed moneylending sector in 2003, it has not permitted an increase to the maximum APR.
- The Central Bank has not licensed any moneylender to provide a 'pay-day loan' service such as exist in the UK (and were the subject of a recent price cap by the FCA). The maximum costs of credit of Irish licensed moneylenders are significantly below the FCA cap, both in terms of total cost and on a daily interest rate basis (For those loans that would be comparable to the FCA's "included" loans).
- Consumers of licensed moneylending are protected by a range of provisions that moneylenders must adhere to, including but not limited to the Consumer Protection Code for Licensed Moneylenders, The European Communities Consumer Credit Agreements Regulation 2010 and the Consumer Credit Act, 1995.

- Compliance with supervisory and legislative requirements is monitored on an ongoing basis through a robust annual licensing process, advertising and market intelligence monitoring and themed and institution-specific inspections.
- Issues identified are addressed with the relevant firms. Failures to adhere to the supervisory and legislative requirements are dealt with appropriately. This may include proceedings under our Administrative Sanctions Procedures.
- As at end October 2014, there were 39 moneylenders licensed to operate in the Republic of Ireland. Approximately 10% of these firms are large national or international organisations, with the majority being small- to medium-sized firms, which operate on a more localised scale. You can check if a moneylender is authorised by checking our registers.
- The Central Bank has produced a newsletter for the Moneylending Industry – the current edition of 'Moneylender News' includes features on responsible lending, best practice in relation to sales incentives, research on the Moneylending Industry, fitness and probity requirements and review of compliance with advertising requirements.
- The Money Advice and Budgeting Service (MABS) can be contacted at www.mabs.ie

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

Central Bank Publishes Consultation on the Supervision of Non-Financial Counterparties

4 December 2014

The Central Bank has today published Consultation Paper 90 with proposals in relation to supervision of Non-Financial Counterparties (NFCs) under the European Market Infrastructure Regulation (EMIR).

EMIR applies to Financial Counterparties, which are currently subject to the supervision of the Central Bank or the Pensions Authority and also to NFCs, the majority of which have not been previously regulated by the Central Bank.

This consultation paper focuses on the Central Bank's supervisory approach to those NFCs which have not previously been subject to the supervision of the Central Bank.

The Central Bank intends to use the EMIR Regulatory Return (ERR) to assess a NFC's compliance with its EMIR obligations which includes, for example, the reporting of all derivatives to a registered or recognised trade repository and various risk mitigation techniques which a NFC must carry out.

The consultation process runs from 4 December until 30 January 2015 and is being undertaken in line with the Central Bank's approach of appropriate and proportionate regulation.

In January, the Central Bank will host a roundtable discussion covering matters raised in the consultation paper.

Notes to editors:

The Central Bank is the National Competent Authority for EMIR under Statutory Instrument No. 443 of 2014.

EMIR is Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012, on OTC derivatives, central counterparties and trade repositories.

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

Locational Banking Statistics – Q3 2014

4 December 2014

Total External Position[1] [2]

- Total external assets of banks resident in Ireland stood at €361 billion at the end of the third quarter, a decrease of 7 per cent since the third quarter of 2013.
- Total external liabilities of resident banks as at the end of the third quarter stood at €355 billion, down 2 per cent from the previous year.
- In the third quarter of 2014, banking offices resident in Ireland reported total profits of €1.6 billion. Since Q3 2013, account fees and charges have increased by 15 per cent to €123 million while total operating income decreased by 16 per cent to €2.4 billion.

Total External Assets

Total external assets of banks resident in Ireland stood at €361 billion at the end of the third quarter, a decrease of approximately 7 per cent since Q3 2013. Domestic market[3] banks accounted for €102 billion, or 28 per cent, of total external assets (Chart 1).

Resident banks external holdings of debt securities stood at €110 billion at the end of the third quarter, a reduction of 2 per cent since Q3 2013. Securities held by domestic banks totaled €23 billion. IFSC banks account for 79 per cent of debt securities holdings. Approximately €32 billion of total debt securities held by IFSC banks were issued by governments, representing 37 per cent of total external debt securities held (Chart 2).

Total external loans and deposits (assets) stood at €211 billion at the end of Q3, a decrease of 8 per cent over the year. The United Kingdom was the largest counterparty country accounting for approximately €98 billion or 47 per cent of total external loans and deposits (Table 1).

Total External Liabilities

Total external liabilities of resident banks at the end of Q3 stood at €355 billion, down 2 per cent from the previous year. IFSC banks accounted for €254 billion, or 71 per cent, of total external liabilities (Chart 3).

The market value of debt securities issued was €50 billion at the end of Q3 2014 with IFSC banks accounting for 74 per cent of these liabilities. The bank sector was the largest holder of IFSC issued debt securities accounting for €33 billion or 88 per cent of the total issued. (Chart 4).

External loans and deposits (liabilities) stood at €223.6 billion at end Q3 2014, representing 63 per cent of total external liabilities. The United Kingdom was the largest counterparty country for external loans and deposits (liabilities) accounting for approximately 36 per cent of total amount outstanding (Table 2).

Income Statement

In Q3 2014, banking offices resident in Ireland reported a cumulative total operating income of €2.3 billion, a decrease of almost 16 per cent on the previous year (Table 3).

Since Q3 2013, interest income has fallen by 16 per cent while account fees and charges have increased by nearly 15 per cent, albeit from a low base, to €123 million. Domestic market banks account for 93 per cent of account fees and charges. In Q3 2014, General operating expenses have decreased from Q3 2013 by 13 per cent to €1.3 billion. Total profits for all banking offices resident in Ireland was €1.6 billion, in Q3 2014.

[1] Comprises all banks resident in Ireland, please note Credit Unions are excluded from these statistics.

[2]Resident bank's asset and liability positions with non-residents in all currencies and residents in foreign currency.

[3] Domestic market banks are banks that 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.

Trends in Business Credit and Deposits: Q3 2014

5 December 2014

Gross new lending advanced by Irish credit institutions to non-financial, non-property SMEs was up almost €357 million in the first nine months of 2014 when compared to the same period of 2013. However, outstanding credit to SMEs continued to decline in both annual and quarterly terms.

Summary

- Gross new lending to non-financial, non-property related SMEs amounted to €1.6 billion over the first nine months of 2014; this was some €357 million higher than the first nine months of 2013. Agriculture continues to comprise the largest share of gross new lending.
- Credit to non-financial, non-property SMEs registered a decline of 2 per cent during Q3 2014, to stand at €21.8 billion. In annual terms there was a fall of 6 per cent which compares with a decline of 4.8 per cent over the year to end-Q3 2013.
- Credit advanced to all non-financial, non-property related enterprises decreased by 1.9 per cent over the quarter, and by 6 per cent over the year to end-Q3 2014, bringing the stock of credit to €31.4 billion. An annual decline of 3.9 per cent was registered for end-Q3 2013.
- Property-related lending to all enterprises was 3 per cent lower over the third quarter of 2014, following a decrease of 3.9 per cent during Q2. Property-related lending to SMEs fell by 1.1 per cent during Q3 2014.
- Deposits from non-financial Irish resident private-sector enterprises remained relatively unchanged in Q3 2014, and stood at €42 billion. This followed a period of sustained growth with deposits from non-financial enterprises increasing by 10.3 per cent in the year to end-Q3 2014.

Credit Advanced to SMEs

- Irish SME's accounted for 40 per cent of all credit advanced to private sector enterprises by resident credit institutions at end Q3 2014. The outstanding amount of credit advanced to Irish SMEs was €59.4 billion at end-Q3 2014, which represented a decrease of 1.5 per cent over the quarter (minus 2 per cent in Q2). In annual terms, outstanding credit fell by 6.6 per cent over the year to end-September.
- SME credit data includes lending to some enterprises in the financial intermediation sector, as their balance sheet size brings them into the SME category. Excluding the financial intermediation sector, credit

outstanding to SMEs accounted for 71 per cent of all credit to non-financial enterprises advanced (€48.2 billion) at end-September. Credit to non-financial SMEs fell by 1.5 per cent during the quarter and by 7.1 per cent over the year reflecting net repayments of €0.8 billion and €4 billion, respectively.

- Property-related lending to SMEs, which includes the construction and real estate activities sectors, constitutes the largest share of outstanding loans to non-financial SMEs, at 55 per cent (€26.4 billion). Lending to SMEs in these sectors fell by a combined 8 per cent over the year to end-Q3 2014, a net flow of minus €2.5 billion (i.e. repayments exceeded drawdowns). Over the quarter, property-related SME lending fell by 1.1 per cent (€309 million), compared with a decline of 3.2 per cent over the previous quarter.
- Credit advanced to non-property, non-financial private-sector SMEs fell by 6 per cent (€1.5 billion) in the year to end-Q3 2014, to stand at €21.8 billion. Over the third quarter, SME repayments exceeded drawdowns by €459 million (2 per cent), which compares to €272 million in the previous quarter. SMEs accounted for 69 per cent of all non-financial, non-property credit.
- In terms of net lending or repayment positions, SMEs were net borrowers in one non-financial, non-property related sector during Q3 2014. There was an increase in net flows to electricity, gas, steam and air conditioning supply enterprises of €10 million. All other non-financial, non-property sectors registered negative flows, with the wholesale, retail trade and repairs sector accounting for the largest decline (€221 million).
- Please note that caution is warranted in the interpretation of the outstanding stock time-series. This is due to the impact of reclassifications and loans sales during the year. True underlying credit developments are, however, captured by the ‘transactions’ series.
- A total of €578 million was drawn-down in gross new lending to SMEs in the non-property, non-financial sectors during Q3 2014. This refers to the drawdown of loans which were not part of the closing stock of lending for the previous quarter (excludes the restructuring or renegotiation of existing facilities). This was equivalent to 2.6 per cent of the previous quarter stock of credit and represents a 45 per cent increase when compared with gross credit advanced in Q3 2013. The agriculture sector continued to constitute the largest share of new SME lending during the quarter (€135 million), followed by wholesale/retail trade and repairs (€134 million).

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 €147.1 billion at end-September 2014. Approximately 54 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 €68 billion at end-Q3 2014.

- Outstanding credit to the non-financial private-sector declined 8.7 per cent in the year to end-September 2014, equivalent to a net annual flow of minus €7.6 billion. The decline was largely driven by real estate credit, which fell by 10.2 per cent (€4.9 billion) over the year.
- Excluding property-related (real-estate and construction) and financial sectors, credit advanced to Irish private-sector enterprises stood at €31.4 billion at end-September, representing an annual decline of 6 per cent (€2.2 billion). Annual developments were mainly driven by declines in credit advanced to the hotels and restaurants sector, which fell 11.9 per cent and the wholesale/retail trade & repairs sector (4.6 per cent). These sectors constituted 17.8 per cent and 22.9 per cent, respectively, of the outstanding amount of credit to non-property, non-financial enterprises at end-September.
- On a quarterly basis, non-property, non-financial loan repayments exceeded drawdowns over the three-months to end-September by €654 million. This was mainly due to a negative net flow of €357 million in the electricity, gas, steam and air conditioning supply sector, which corresponds to a 3.5 per cent decline. Five non-financial, non-property related sectors registered a positive net lending flow during Q3 2014. The business and administrative services sector recorded the largest net flow of €61 million. The remaining four sectors had a combined positive net flow of €87 million.
- Credit advanced to the traditional sectors of agriculture and manufacturing were 1.7 per cent and 5.4 per cent lower, respectively, on an annual basis at end-September 2014; this followed an annual decline of 2.4 per cent and 5.9 per cent, respectively, at end-June 2014. Combined, these sectors accounted for 27 per cent of the outstanding amount of credit to non-property, non-financial enterprises at end-September 2014.
- Please note that caution is warranted in the interpretation of end-Q3 2014 outstanding stock figures, along with the outstanding stock time-series over 2014. This is due to the impact of reclassifications and loans sales during the year. True underlying credit developments are, however, captured by the ‘transactions’ series.

Deposits from Irish Resident Private-Sector Enterprises

- Deposits from Irish private-sector enterprises increased moderately during Q3 2014 by €45 million (0.1 per cent) to stand at €85.7 billion. In annual terms, there was a fall in deposits from Irish resident private-sector enterprises of 6.8 per cent at end-September, which compared to an annual decline of 5.7 per cent at end-Q2.

- The financial intermediation sector (excluding monetary financial institutions) mainly accounted for the developments in annual deposits, with a decline of €10.3 billion (18.1 per cent) over the year. This was mainly driven by a €8.3 billion fall in deposits in Q2, which included the impact of the wind-down of the Irish Bank Resolution Corporation (IBRC).
- Excluding financial intermediation, deposits from private-sector enterprises increased by 10.3 per cent (€3.9 billion) in the year to end-Q3 2014, to stand at €42 billion. On a quarterly basis, deposits from these sectors remained relatively stagnant (minus 10 million).
- Deposits from eight of the fifteen non-financial sectors increased in Q3, with the largest increase from enterprises engaged in business and administration (€803 million), followed by enterprises engaged in transportation and storage (€214 million). The largest decrease in deposits during the quarter was in the electricity, gas, steam and air conditioning supply sector (€960 million). This sector had registered the largest increase in the Q2 2014.

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

Trends in Personal Credit and Deposits: Q3 2014

8 December 2014

Credit to Irish private households continued to decline in both annual and quarterly terms. The annual rate of change in personal deposits also declined, albeit at a reduced rate.

Summary

- Total credit to Irish private households outstanding on the balance sheet of resident credit institutions was €93.8 billion at end-September 2014, representing a quarterly decline of 0.5 per cent and an annual decline of 3.3 per cent.
- The total amount of loans outstanding for house purchase, including loans that have been securitised and continue to be serviced by resident credit institutions, stood at €116.9 billion at end-September 2014, down from €118.9 billion in Q2 2014.
- The total deposits held in resident credit institutions by Irish private households were €85.9 billion at end-Q3 2014, representing an annual decrease of 0.1 per cent.

Credit Advanced to Private Households – Loans for House Purchase

The analysis below relates to on-balance sheet lending, unless otherwise indicated.

- The annual rate of change in loans for house purchase remained at minus 3 per cent at end-September 2014. There was a quarterly decline of 0.5 per cent, which represents the nineteenth consecutive quarterly decline. The outstanding amount of on-balance sheet loans for house purchase stood at €80.8 billion at end-September. A further €36.1 billion of securitised mortgages, which continue to be serviced by resident credit institutions, was also outstanding.
- Floating rate mortgages, which include standard variable rate, tracker rate, and mortgages with a fixed rate up to one year[1], declined by €411 million over the quarter and accounted for 94 per cent of the outstanding amount of loans for house purchase at end-September 2014. Tracker mortgages alone accounted for 49 per cent of outstanding house purchase loans and recorded a €293 million decrease in Q3. Standard variable rate mortgages increased by €111 million during Q3, and accounted for 42 per cent of outstanding house purchase loans at end-September.

- Fixed rate mortgages accounted for 6 per cent of the outstanding amount of loans for house purchase at end-September 2014, following a net decline of €16 million during the quarter. Developments during the quarter were mainly driven by a €56 million decline in the over three and up to five year fixed rate category.
- Loans for principal dwellings which accounted for 76 per cent of loans for house purchase at end-September fell by €451 million over the quarter, mainly reflecting a fall of €452 million in floating rate mortgages. The annual rate of decline in loans for principal dwellings was 2.4 per cent in Q3 2014, which follows a 2 per cent decline in Q2 2014.
- Tracker mortgages and mortgages fixed for up to one year fell by €381 million and €186 million respectively. Meanwhile, standard variable rate mortgages increased by €115 million over the quarter. Floating rate mortgages accounted for 93 per cent of the outstanding amount of loans for principal dwellings at end-September. For securitised mortgage pools, the share of floating rate mortgages for principal dwellings was slightly higher at 96 per cent (Chart 3).
- The outstanding amount of loans for buy-to-let residential properties (representing 23 per cent of loans for house purchase) grew by €36 million over the quarter, to stand at €18.9 billion at end-September. This quarterly development mainly reflected a €52 million increase in floating rate mortgages, the majority of which was seen in the tracker mortgage category. Floating rate mortgages accounted for 97 per cent of the outstanding amount of loans for buy-to-let properties at end-Q3. These floating rate loans were composed of 67 per cent tracker mortgages and 32 per cent standard variable mortgages. There was an annual decline of 4.3 per cent in loans for buy-to-let residential properties at end-Q3.
- Loans for holiday homes/second homes accounted for 1 per cent of loans for house purchase at end-September 2014. Floating rate mortgages accounted for 95 per cent of the outstanding amount of loans for holiday homes/second homes at end-September. Of these floating rate loans, 57 per cent were tracker mortgages and 43 per cent were standard variable mortgages. The annual decline in loans for holiday homes/second homes was 11.7 per cent at end-Q3.

Credit Advanced to Private Households – Other lending

- Non-housing related lending, or 'other personal' lending, accounted for 14 per cent (€12.9 billion) of total on-balance sheet credit advanced to Irish private households by resident credit institutions at end-September 2014.
- Lending in this category fell by 5.3 per cent in the year to end-September. This followed an annual decrease of 6.2 per cent at end-June 2014.

- Non-housing related lending to private households peaked in Q1 2009 at €28.9 billion. By end-September 2014, it had declined by 34.4 per cent.
- Non-housing related lending to private households declined by €74 million during Q3 2014 (0.5 per cent). This reflected a decline in both finance for investment purposes, and finance for other non-housing related purposes of €19 million and €55 million, respectively.

Deposits from Private Households

- The deposits held in resident credit institutions by Irish private households stood at €85.9 billion at end-September 2014. This represents a decrease of €18 million (0.02 per cent) during the quarter.
- The outstanding amount of personal deposits was 0.1 per cent lower on an annual basis at end-September 2014; the year-on-year decline at end-June 2014 was 0.5 per cent.

[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.

Make your copper coins count

8 December 2014

- Central Bank has issued almost 2.5 billion 1c and 2c coins
- €35.3 million in 1c and 2c coins issued

The Central Bank today (8 December 2014) urges people to start using their copper coins and make them count this Christmas.

The Central Bank issues a disproportionately large number small denomination coins, primarily 1c and 2c. They go out of circulation quickly because people generally don't use them, and instead consign them to jars and money boxes in their homes. This means shops need to constantly refresh their supplies for change, adding an unnecessary cost to Ireland's cash cycle.

Ireland has issued almost 2.5 billion 1 cent and 2 cent coins. Per head of population that is three times more than the average in the euro area. The Central Bank is advising consumers that, if this trend continues, it will be difficult to keep up with the demand.

The Central Bank is asking consumers to find the 1 cent and 2 cent coins they may have stored at home and put them back into circulation, either by spending them or by giving them to a charity this Christmas.

A spokesperson for the Central Bank said: 'Lots of people keep copper coins in jars and piggy banks around the house. There is €35.3 million worth of 1c and 2c coins. This is better being spent or given to charity. We urge people to use this time of the year to de-clutter, by either giving these coins to charity or spending them. With Christmas approaching now might be a good time to use those stray coins by giving them to a charity of your choice.'

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

Consultation period on Consultation Paper 87 has closed

Statement - 9 December 2014

The consultation period for Consultation Paper 87, with proposals to introduce new macro-prudential measures to enhance the resilience of the banking sector and households to housing market developments, has now closed.

It is the Central Bank's policy to publish all responses to consultation papers. We received 110 individual submissions and 47 responses from institutions to this paper (157 in total), and these will be made available on our website in full once they have been processed. Page 27 and 28 of the paper include the details on this.

Further information: Press Office, press@centralbank.ie, 01-224 6299

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

Holders of Irish Government Bonds

Statistical Release 10 December 2014

Breakdown of Holders of Government Bonds

- The nominal value outstanding of government bonds was €113,069 million at end October 2014, broadly unchanged from end September.
- Residents held 46.6 per cent of Irish government bonds, with credit institutions and the Central Bank of Ireland accounting for 91 per cent of resident holdings.

Outstanding government bonds stood at €113,069 million in October 2014, with 15 per cent due to mature in less than three years. At end-September 2014, resident holders held 46.6 per cent of long-term Irish government bonds. Resident credit institutions and the Central Bank of Ireland, account for 91 per cent of resident holdings.

The resident non-bank financial sector reported holdings of €2,705 million in October 2014 of which holdings by other financial intermediaries stood at €1,010 million (Chart 1).

Within the next 5 years, 36 per cent of outstanding Government bonds will mature (Table 1). 33 percent of resident holdings fall under this maturity category, while the equivalent ratio for non-resident holdings is higher at 40 per cent. Furthermore, 34 per cent (or €20 billion) of long-term bonds held by non-resident investors will mature from 2023 onwards (Chart 2).

Notes to Editors:

This data series was published for the first time in February 2014. The new series beginning in December 2013 is based on improved information sources, so it is not directly comparable with previous publications. Care should, therefore, be exercised in comparing the new series with earlier publications.

The change has arisen due to the introduction of the Securities Holdings Regulation by the ECB in December 2013. The dataset is compiled from data submitted by all custodians resident in Ireland, direct reporting by end investors and information from the Government Bond Register held by the Central Bank to provide breakdowns by maturity and by holding sector.

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

Security Issue Statistics – October 2014

10 December 2014

Trends in Market-based Financing of all Irish-resident Entities

- Market-based debt financing for the banking sector stood at €71.2 billion in October 2014, an increase of 5.9 per cent year-on-year. This is the fourth consecutive monthly increase, and the second largest year-on-year increase during 2014.
- The outstanding amount of debt securities issued by Irish firms and by the Government sector was €868.1 billion at end-October 2014, a decrease of 0.9 per cent year-on-year. There was little change to the outstanding amount of debt securities issued by euro area residents (at 0.8 per cent).
- Equity shares had an outstanding value of over €335.5 billion at end-October. Quoted shares (€335.1 billion), which are predominant in the equity category, saw a year-on-year increase of 37 per cent. This is largely due to the increased market capitalization of the NFC sector. The value of the stock of quoted shares issued by euro area residents increased by 5.3 per cent.

Banking Sector

- Market-based debt financing for the banking sector decreased by almost €1 billion in October 2014 (compared to an increase of over €3 billion in September).
- Since October 2013, the outstanding amount of debt securities for the banking sector has increased year-on-year by nearly 6 per cent to €71.2 billion. This reflected an increase to €61 billion in long-term debt securities, which was somewhat offset by a fall of 20 per cent in short-term debt. Over the past 12 months, the total outstanding amount of debt securities for this sector across the euro area decreased by 8.2 per cent. This decline reflects continuing deleveraging in the banking sector.
- The market value of equity securities in the banking sector saw a year-on-year increase of 12 per cent[1] to €22.5 billion (Chart 3). This increase is primarily as a result of valuation changes.

Non-Financial Corporations

The outstanding amount of debt securities issued by non-financial corporations (NFC) remained almost unchanged at €8.7 billion in October 2014 (Table 1).

In October 2014, the value of the quoted shares issued by the NFC sector increased to €295 billion. This represented a year-on-year increase of 42 per cent (Chart 4). This was largely due to a combination of share price increases and the impact of re-domiciled entities.

The annual percentage change in market capitalisation for NFCs in the euro area was 4.8 per cent.

[1] As per compilation methodology utilised by the Central Bank of Ireland

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

Central Bank Publishes New Research on First Time Buyer Default Rates and Implications for Macro-Prudential Policy

10 December 2014

The Central Bank of Ireland today published a new Economic Letter "Do First Time Buyers Default Less? Implications for Macro-prudential Policy' (Economic Letter Vol. 2014, No. 14).

The Economic Letter examines whether time buyers (FTB) have a lower default rate compared to second and subsequent buyers (SSB) in the residential property market

The research finds that 15 per cent of second and subsequent buyers are currently in default. This rate is 30 per cent lower for first time buyers.

The main findings are as follows:

- Macro-prudential regulations aimed at capping loan-to-value (LTV) and loan-to-income (LTI) ratios have a greater impact on FTB's than SSB's.
- For recently defaulted loans, FTB borrowers have lower default rate for loans originating since the late 1990's. Controlling for personal characteristics such age and location and type and size of loan, this differential remains.
- Comparing default rates across originating loan to value levels, the gap between the two groups begin to close for LTV ratios above 85 per cent.
- This research is consistent with differential regulatory treatment of first time buyers with default risk remaining comparable to the remainder of mortgage lending.

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

Central Bank of Ireland Issues Warnings on Unauthorised Investment Firm/Investment Business Firm

11 December 2014

The Central Bank of Ireland today (11 December 2014) published the name of an unauthorised investment firm/investment business firm, ACA Group Limited (Hong Kong). ACA Group Limited (Hong Kong) is not authorised by the Central Bank as investment firm, investment business firm or to provide investment advice.

It is a criminal offence for an unauthorised firm/person to provide financial services in Ireland that would require an authorisation under the relevant legislation for which the Central Bank is the responsible body for enforcing. Consumers should be aware that, if they deal with a firm/person who 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/persons may telephone (01) 224 4000. This line is also available to the public to check if a firm/person is authorised. Since obtaining the necessary legal powers in August 1998, the names of 253 unauthorised firms/persons have been published by the Central Bank.

Notes to editors:

The name of the above firm/person is published under the Central Bank (Supervision and Enforcement) Act 2013.

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

Retail Interest Rate Statistics: October 2014

12 December 2014

Key Developments [1]

- The weighted average interest rate on outstanding loans to households for house purchase remained relatively stable at 2.75 per cent at end-October 2014. The equivalent euro area rates were 46 basis points higher at 3.21 per cent. The interest rate on new loan agreements to households for house purchase[2], with either a floating rate or initial rate fixation of up to one year, fell by 7 basis points to 3.35 per cent at end-October.
- The weighted average interest rate on total outstanding household term deposits continued to decline to 1.76 per cent at end-October. There is evidence that household deposit volumes are moving from medium-term categories towards the overnight category, highlighting the low deposit rates currently on offer across all maturities.
- The weighted average interest rate on new loan agreements to NFCs up to €1 million (often used as a proxy for SME lending) increased by 5 basis points to stand at 5.23 per cent at end-October and now stands 196 basis points higher than the equivalent euro area rate.

Households

Loans to Households

The weighted average interest rate on outstanding loans to households for house purchase rose to 2.75 per cent at end-October 2014, rising by one basis point over the month. The corresponding end-October interest rate for the euro area was higher, at 3.21 per cent. Interest rates on outstanding mortgages in Ireland have tended to follow movements in the ECB's main refinancing rate (MRO) more closely than equivalent euro area rates due to the higher proportion of tracker and other variable rate mortgage products in the domestic market (Chart 1). However, more recently, this traditional relationship is seen to have weakened. The ECB's MRO rate was cut by 10 basis points on 10th September to just 0.05 per cent, following a similar 10 basis point decline in June. In contrast, Irish rates, applicable to outstanding loans to households for house purchase, actually rose by one basis point during the month of October.

The interest rate on new loan agreements to households for house purchase, with either a floating rate or initial rate fixation of up to one year, was 3.35 per cent at end-October 2014, representing a 7 basis point decrease from the end-September rate. The corresponding interest rate at end-October for the euro area was 92 basis points lower at 2.43 per cent. Loans in this category accounted for 89 per cent of all new mortgage business in the domestic market over the past year. In contrast, floating rate loans in the euro area accounted for 27 per cent of new mortgage business over the same period.

The weighted average interest rate on new loans to households for non-housing purposes increased by 191 basis points over the month, to stand at 8.19 per cent at end-October, this large increase cancelled out the large decrease seen the previous month. The corresponding euro area interest rate increased by 6 basis points at end-October, to stand at 4.59 per cent. It should be noted, however, that new business volumes for loans to households for non-housing purposes have been particularly low in recent years, resulting in pronounced volatility in the interest rate series.

The weighted average interest rate on outstanding amounts of non-housing related loans was 7.37 per cent at end-October 2014, representing a 9 basis point decrease over the month, and a 94 basis point rise since October 2013. This year-on-year increase was reflected across all three maturity categories of loans for consumption and other purposes, with loans in the medium-term category (fixation period of one to five years) exhibiting the most pronounced increase. The corresponding end-October rate for all non-housing loans in the euro area was 193 basis points lower than the Irish rate at 5.44 per cent.

Deposits from Households

The interest rates on new household term deposits decreased by six basis points to 0.51 per cent at end-October 2014. This also represented a year-on-year decrease of 26 basis points.

The weighted average interest rate on total outstanding household term deposits continued to fall in October to 1.76 per cent, representing a 178 basis point fall since their last increase in April 2012. Over the past number of months, there has been some evidence of movement from deposits in the medium-term category towards the overnight category, highlighting the low interest-rate environment. At end-October 2014, interest rates on deposits with agreed maturity up to two years stood at 1.78 per cent, representing a 50 basis point decrease since end-October 2013.

Non-Financial Corporations (NFCs)

Loans to NFCs

The weighted average interest rate on new loan agreements to NFCs up to €1 million (often used as a proxy for SME lending) increased by 5 basis points since September 2014, standing at 5.23 per cent at end-October. The corresponding interest rate charged by euro area credit institutions in October was 196 basis points lower at 3.27 per cent.

In terms of new business for NFC loans above €1 million, the weighted average interest rate increased by 8 basis points to 3.3 per cent at end-October. The equivalent euro area interest rate declined by 5 basis points in October 2014, standing at 1.88 per cent. The volumes in new business categories have been particularly low, resulting in pronounced month-on-month volatility in the interest rate series.

The weighted average interest rate on outstanding loans to NFCs issued by Irish-resident credit institutions fell to 3.16 per cent at end-October 2014 (Chart 2). The twelve-month average for this rate was 3.11 per cent. The equivalent euro area weighted average interest rate for the month of October was 3.08 per cent.

Deposits from NFCs

The interest rate on new term deposits from NFCs decreased by 8 basis points to 0.3 per cent at end-October 2014. This rate has been relatively stable over the past year, recording a twelve-month average of 0.42 per cent. The equivalent monthly rate offered by euro area credit institutions was higher at 0.52 per cent at end-October 2014.

The weighted average interest rate on outstanding NFC term deposits fell by 12 basis points to 1.03 per cent at end-October 2014. This represents a fall of 52 basis points since October 2013. Annual developments were driven by deposits with agreed maturity of up to two years, which accounted for 95 per cent of all NFC term deposits over the past year.

Note:

Retail Interest Rate Statistics cover all euro-denominated lending to, and deposits from, households and non-financial corporations (NFCs) in the euro area by credit institutions resident in Ireland. Interest rates on outstanding amounts cover all loans and deposits outstanding on the last working day of the month, while interest rates applicable to new business volumes cover all new loan and deposit business agreed during the month.

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 renegotiation of existing deposits and loans. Automatic renewals of existing contracts, which occur without any involvement by the customer, are not included in new business. 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.

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

[2] In the MIR framework, new loan agreements to households for house purchase with either a floating or initial rate fixation period of up to one year, is broader in scope than just ‘new mortgages’, issued at variable interest rates. There are a number of factors that can lead to differences between MIR statistics and interest rates advertised by resident credit institutions including renegotiated loans, the inclusion of home improvement loans, and the underlying MIR compilation methodology. From early 2015, the Retail Interest Rate Statistics will include information on standard variable rate (SVR) mortgages, covering both new and outstanding mortgages accounts (separately).

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

Central Bank of Ireland Issues Warnings on Unauthorised Investment Firm/Investment Business Firm

15 December 2014

The Central Bank of Ireland today (15 December 2014) published the name of an unauthorised investment firm/investment business firm, Vantage Holdings Group Limited (Hong Kong). Vantage Holdings Group Limited (Hong Kong) is not authorised by the Central Bank as investment firm, investment business firm or to provide investment advice.

It is a criminal offence for an unauthorised firm/person to provide financial services in Ireland that would require an authorisation under the relevant legislation for which the Central Bank is the responsible body for enforcing. Consumers should be aware that, if they deal with a firm/person who 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/persons may telephone (01) 224 4000. This line is also available to the public to check if a firm/person is authorised. Since obtaining the necessary legal powers in August 1998, the names of 254 unauthorised firms/persons have been published by the Central Bank.

Notes to editors:

The name of the above firm/person is published under the Central Bank (Supervision and Enforcement) Act 2013.

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

Generation €uro Students' Award: Round 2 Schools Announced

16 December 2014

The Central Bank of Ireland today (16 December 2014) announced the schools that have successfully progressed to Round 2 of the Generation €uro Students' Award for 2014-2015.

Over 270 students entered this year's competition which challenges Transition Year groups across Ireland 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 to determine the most appropriate interest rate for the euro area.

The following schools will compete in Round 2:

- Banagher College, Co. Offaly;
- Castleisland Community College, Co. Kerry;
- Coláiste Íosagáin, Co. Dublin;
- Douglas Community School, Co. Cork;
- Gonzaga College S.J., Dublin;
- Loreto College Mullingar, Co. Westmeath;
- Manor House School, Raheny, Dublin;
- Mary Immaculate Secondary School, Lisdoonvarna, Co. Clare;
- Newbridge College, Co. Kildare;
- Presentation Secondary School, Tralee, Co. Kerry;
- Rathdown School, Dublin;
- Rosemont School, Sandyford, Dublin;
- Rosses Community School, Dungloe, Co. Donegal;
- Scoil Uí Mhuirí, Dunleer, Co. Louth;
- St. Declan's College, Cabra, Dublin;
- St. Flannan's College, Ennis, Co. Clare;
- St Francis College, Rochestown, Cork;
- St. Gerald's College, Castlebar, Co. Mayo;
- St. Gerard's School, Bray, Co. Wickow;
- St. Joseph's CBS, Fairview, Dublin;
- St. Kevin's Community College, Dunlavin, Co. Wicklow;
- St. Leo's College, Co. Carlow;
- St. Mary's College, Dundalk, Co. Louth;
- St. Raphaela's Secondary School, Stillorgan, Dublin.

Round 2 teams are required to complete an essay of 2,000 words in which they must predict the interest rate decision of the ECB Governing Council for 5 March 2015. Teams must offer a detailed explanation of the reasons for their decision by assessing a range of economic and monetary conditions in the euro area

The deadline for submitting completed essays is 6 February 2015 and the top three teams will compete at the National Final next April.

Notes for Editors

The Generation €uro Students' Award is a euro area initiative organised by the European Central Bank (ECB) and participating national central banks across the euro area including the Central Bank of Ireland. Further information is available at www.generationeuro.ie

The competition is now in its fourth year and consists of three rounds including an online quiz, a group essay and a presentation by three finalist teams to a panel of senior economists at the Central Bank of Ireland.

The National Winners will represent Ireland at the European Central Bank in Frankfurt next May.

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

SME Market Report: H2 2014

17 December 2014

The Central Bank has published the second SME Market Report.

The SME Market Report is released twice yearly and is compiled by economists in the Financial Stability Division. The report collates information from a wide range of internal and external sources to give an up-to-date picture of developments in the Irish SME credit market. The report provides information on credit demand, credit access, loan terms and conditions, loan default, interest rates and credit market concentration.

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

Consolidated Banking Statistics: Foreign Claims – Q3 2014

18 December 2014

Domestic banks'[1] foreign claims increased slightly during Q3 2014; there was a 0.4 per cent rise over the quarter bringing the outstanding amount of claims on foreign residents to €96 billion at end-September 2014. The quarterly increase reflects the rise in claims on foreign private sectors and foreign credit institutions which were only partially offset by reduced claims on foreign public sectors. A significant proportion of the increased foreign claims related to claims on Spain.

- The outstanding amount of foreign claims classified as local[2] declined by 11.2 per cent in the twelve months to September 2014, while cross-border[3] claims increased by 13.4 per cent over the same period. This continues a pattern of retrenchment in local markets, although this is somewhat offset by a tentative pick-up in cross-border lending.
- Domestic banks' largest foreign claims continue to be on the UK which accounts for 73 per cent of foreign claims; the majority of which are vis-à-vis the non-bank private sector.

At end-September 2014, domestic banks had foreign claims of €96 billion, representing a quarter-on-quarter increase of €365 million; this follows a €2.4 billion increase in foreign claims in Q2 2014. Developments in Q3 were mainly driven by increased claims on foreign private sectors which rose by €2.7 billion (3.8 per cent) over the quarter; claims on foreign credit institutions also showed a quarterly increase of €646 million (6.7 per cent). Meanwhile, claims on foreign public sectors fell during Q3 2014 by €3 billion (22.6 per cent). Claims on foreign private sectors are predominant, accounting for 78 per cent of total foreign claims at end-September. Claims on foreign public sectors and credit institutions are relatively small in comparison, each accounting for 11 per cent of total foreign claims. At end-Q3 2014 total foreign claims reported a quarter-on-quarter increase of 0.4 per cent. Despite this, foreign claims continued to decline on an annual basis with a year-on-year decline of 4.8 per cent. The annual reduction in total foreign claims is expected, given that the domestic banking groups continue to downsize their operations abroad.

Consistent with the recent trends, the end-September 2014 data show that local claims, at €66 billion, were far greater than cross-border claims which stood at €30 billion. Over the years from September 2009 to December 2012, cross-border credit declined at a much faster annual rate than local claims. However, 2013 saw a reversal of this trend, with the annual rate of decline in local claims outpacing that of cross-border claims. In Q1 2014 the annual rate of change for cross-border claims turned positive. This trend has continued through to-date, with September 2014 recording a year-on-year growth rate of 13.4 per cent in cross-border claims. Meanwhile local claims showed an annual decline of 11.2 per cent at end-September 2014.

The domestic banks' largest foreign claims are on the United Kingdom (including Northern Ireland), with exposures of €70 billion at end-September 2014. Foreign claims on the UK increased by €190 million (0.3 per cent) over the quarter. This was driven by an increase in claims on the UK private sector and UK credit institutions which were not fully offset by reduced claims on the UK public sector. Chart 2 shows that the vast majority of the domestic banks' claims on the UK are on the non-bank private sector, while exposures to credit institutions and the public sector are very small relative to overall UK exposures.

There was an 11 per cent or €440 million increase in claims on the US over Q3 2014. This marks the second consecutive quarter of increased claims on the US. Developments in Q3 mainly reflected increased claims on the US private sector.

France, Spain, the Netherlands and Italy were also important locations for foreign claims of Irish banks at end-Q3 2014. The cumulative change in the domestic banks' foreign claims on these four countries was €274 million over the third quarter of 2014. Foreign claims on Spain and Italy increased by 26.4 per cent and 29.3 per cent, respectively over the quarter. Meanwhile, claims on France and the Netherlands decreased by 0.9 per cent and 23.5 over the quarter. Q3 2014 marked the highest level of foreign claims on Italy since Q1 2011.

Notes to Editors:

The 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.

The tables can be accessed on the Central Bank of Ireland website. The dataset begins in December 2004 and the latest data published relate to end-September 2014.

[1] In this case, the Central Bank of Ireland defines domestic banks as those banks whose ultimate parent entity is resident in Ireland.

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

[3] Cross-border claims cover exposures where the country of ultimate risk differs from the residency of the bank office making the loan.

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

Central Bank Identifies Weaknesses in How Investment Firms Provide Information on Costs and Charges to Consumers

18 December 2014

The Central Bank today (18 December 2014) published the outcome of a thematic review into the provision of information on costs and charges in investment firms. These firms are subject to the requirements of the Markets in Financial Instruments Directive (MiFID) and, where relevant, the Consumer Protection Code (Code).

It is important that firms act in the best interests of consumers by ensuring that the disclosure of information on costs and charges is fair and transparent and provided in a way that seeks to inform the consumer. In this regard, both MiFID and the Code have requirements in place regarding such disclosure.

The objective of the thematic review was to assess the level of compliance by firms with both the letter and the spirit of MiFID and the Code, and to determine whether firms were acting in the best interests of consumers in relation to the disclosure of information on costs and charges.

The Central Bank's thematic review identified weaknesses in how investment firms provide information on costs and charges to consumers. Concerns in relation to unfair contract terms were also identified in the course of the thematic review.

The main issues identified include:

A. Provision of Information on Costs and Charges:

- Weaknesses in the presentation and content of information provided to clients on costs and charges prior to the provision of services;
- Failure to provide information prior to the provision of services, instead providing it after the provision of services in some cases; and
- Failure to provide information in the format required such as a durable medium or a website, where allowable.

B. Unfair Contract Terms

The Central Bank identified a number of unfair contract terms where firms had unreasonably sought to limit their liability to clients. Firms have removed these terms following correspondence from the Central Bank. For further information on Unfair Contract Terms.

The Central Bank has written to all firms in this sector setting out all of the issues identified from the thematic review and the steps to be taken by firms to address these issues. All firms are required to immediately review their systems and controls in light of the issues identified. Following the review, firms must take all remedial action to ensure they are acting in the best interest of consumers. Additionally, the Central Bank will engage in separate correspondence directly with those firms reviewed, where issues have arisen, and consider use of any regulatory power within its remit to address the issues identified.

Director of Consumer Protection, Bernard Sheridan said: “Overall, the findings of the inspection raised concerns from a consumer protection perspective. The Central Bank expects the Board of Directors and senior management in regulated firms to ensure that they embed a culture of treating consumers fairly within their firm. The Central Bank expects all regulated firms to have appropriate governance arrangements in place to ensure that any costs and charges applied to consumers are disclosed in a fair, clear and transparent way throughout the business relationship with the consumer. Firms need to take on board this feedback in order to deliver a better outcome for their customers.”

Further information: Press Office (01) 224 6299, press@centralbank.ie

ENDS

Notes for editors:

About the review

The aim of the inspection was to assess and evaluate the arrangements that MiFID authorised firms had in place regarding provision of information to clients on direct costs and charges.

Information on costs and charges provided to consumers plays a crucial role in enabling them to make informed decisions. Generally, MiFID requires that investment firms provide information to clients on costs and charges in a durable medium or via a website that meets certain conditions prior to the provision of services. Information on costs and charges should be fair, clear and not misleading. It should also be provided in a comprehensible form so that clients or potential clients are reasonably able to understand the nature and risk of the investment service and/or products that are being offered and, consequently, to take investment decisions on an informed basis. Any material changes to the information on costs and charges should be notified in good time to clients. Clients should also receive post trade reports periodically on the costs and charges applied. Where the Code applies to MiFID authorised firms, similar disclosure requirements apply in relation to making consumers aware of the costs and charges to be applied in relation to the provision of a service/product.

The inspection consisted of a desk based review of:

- Firms’ costs and charges structure for all types of clients/services/products and how each firm disclosed this information to clients/consumers.

- The level of monitoring in place within firms in relation to costs and charges applied to client accounts.

16 investment firms were subject to the desk based review.

Following this initial review, the Central Bank followed up by inspecting four firms to examine a sample of client files in relation to disclosure of costs and charges both prior to provision of services/products and post-provision of services/products.

As part of this inspection, the Central Bank also reviewed firms' client contracts in accordance with the European Communities (Unfair Terms in Consumer Contracts) Regulations, 1995 to identify any potentially unfair contract terms in relation to costs and charges and other general contract terms.

About MiFID

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

The main requirements of MiFID in relation to costs and charges are set out in the EC (Market in Financial Instruments) Regulations, 2007:

Regulation 76;

Regulation 77;

Regulation 81;

Regulation 92;

Regulation 96; and

Regulation 101.

MiFID is currently being revised to improve the functioning of financial markets in light of the financial crisis and to strengthen investor protection.

About the Consumer Protection Code

The Consumer Protection Code 2012 is imposed under Section 117 of the Central Bank Act, 1989. This revised Code was published on 19 October 2011 and came into effect on 1 January 2012. The revised Code builds on the protections of the previous version, and includes more detailed requirements in many areas.

The main requirements of the Code in relation to costs and charges are set out in:

Chapter 2 – General Principles;

Chapter 4 - Provision of Information; and

Chapter 6 – Post-sale Information Requirements.

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

Central Bank Confirms Transfer of Killorglin Credit Union to Tralee Credit Union Limited

18 December 2014

Killorglin Credit Union continues to operate as normal

Following an application by the Central Bank of Ireland, the High Court has today (18 December) approved the transfer of Killorglin Credit Union to Tralee Credit Union Limited. Tralee Credit Union Limited has assumed ownership and management of the assets and liabilities of the credit union.

The Central Bank sought the transfer, with the support of the current board of Killorglin Credit Union, because the credit union was no longer viable as a stand-alone entity. The transfer was undertaken to protect members' savings and ensure continued access to credit union services within the community.

The transfer has no effect on the day to day operations of Killorglin Credit Union and members can continue to do business as normal with the credit union from its premises. Members of the credit union do not need to take any action and are assured that their funds are protected.

All services, including savings and lending facilities, continue to be available to all members of the credit union from its normal premises, which will open as normal tomorrow. Killorglin Credit Union will now operate under the management of Tralee Credit Union Limited.

The current board of Killorglin has worked closely with the Central Bank, cooperating throughout the resolution process and supporting the transfer as the most appropriate solution in best interest of its members.

The Central Bank remains fully supportive of the credit union sector in Ireland and is committed to the continued development of a strong and sustainable credit union sector that meets members' changing needs and protects their savings. The Central Bank continues to work with credit unions in difficulty to resolve issues appropriately as part of our programme of work.

An information document advising members of the implications of the transfer has been published on the Central Bank website. Any member with queries can contact Killorglin Credit Union in the usual way on 066-976 1502.

Notes to Editor

The application by the Central Bank to the High Court for the transfer order is pursuant to Part 5 of the Central Bank and Credit Institutions (Resolution) Act 2011.

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

Feedback Statement on "Risk Appetite – A Discussion Paper"

19 December 2014

The Central Bank of Ireland today publishes a Feedback Statement on "Risk Appetite – A Discussion Paper"

The Central Bank published the discussion paper on 20 June 2014 with a view to generating discussion and debate with Central Bank stakeholders on risk appetite, its linkage with organisational strategy and its importance for financial institutions. The Discussion Paper considered the main concepts of, and theories of, risk appetite and its place within Risk Appetite Frameworks and provided some suggestions as to what a risk appetite statement might contain.

The Central Bank received 18 responses to the Discussion Paper and wishes to acknowledge the contribution of respondents which have provided a significant degree of insight into the practices employed in the Irish financial services industry at this time. This Feedback Statement summarises those responses to reflect the views presented to the Central Bank.

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

The Central Bank Publishes Feedback Statement on Submissions to CP 83

19 December 2014

The Central Bank has today published a feedback statement and the submissions to CP 83 'Fitness and Probity regime for Credit Unions that are also authorised as Retail Intermediaries'.

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

Money and Banking Statistics - November 2014

31 December 2014

Summary[1]

Loans to non-financial corporations exceeded repayments for a second consecutive month in November, reversing a trend of steady decline over recent months. Conversely, loans to households continued to decline during the month with non-housing loans falling faster than loans for mortgages.

Loans and other credit

- Household loan repayments exceeded drawdowns by €335 million during November 2014, following a net monthly decline of €520 million in October. Developments in November were driven by declines in loans for house purchase and loans for 'other purposes' of €156 million and €160 million, respectively.
- In the case of loans for house purchase, repayments have exceeded drawdowns by €2.2 billion for the year to date. Repayments have also exceeded drawdowns by €1.6 billion for non-housing loans to households, in the year to end-November.
- On an annual basis, lending to Irish households continued to fall, decreasing by 3.8 per cent in November 2014. Loans for house purchase, which account for 81 per cent of total household loans, declined at an annual rate of 2.9 per cent. Lending for consumption and other purposes declined by 7.1 per cent year-on-year.
- NFC loan drawdowns exceeded repayments by €139 million in November 2014 following a net increase of €261 million in October 2014. This was the second consecutive net increase since May. The increase was most pronounced for medium-term loans which increased by €205 million over the month. Meanwhile, short and longer-term NFC loans showed an increase of €37 million and a reduction of €104 million, respectively. Over the year to end-November, the net flow of NFC loans has fallen across all maturity categories, with the most pronounced fall seen in the up to one year category.
- Lending to Irish resident NFCs reported a year-on-year decline of 6.4 per cent in November 2014, following a revised annual decrease of 6.9 per cent in October. This resulted from annual declines across all maturity categories, with declines of 9.3 per cent, 3.4 per cent and 5 per cent recorded for short, medium and long-term sectors, respectively.
- Credit institutions' holdings of debt and equity securities issued by the Irish private sector increased by €1.8 billion during November 2014, following a decrease of €742 million in October. An increase of €1.9

billion in holdings of debt securities issued by the OFI sector was the predominant reason for this increase; however, the annual rate of decline in this category was 15.5 per cent at end-November.

Deposits and other funding

- The outstanding stock of Irish private sector deposits totalled €174 billion at end-November 2014. Of this, 53 per cent represented household deposits, with NFC, OFI and ICPF deposits each accounting for 22 per cent, 20 per cent and 5 per cent, respectively.
- Household deposits declined by €731 million in November, although this may be explained by seasonal factors. Over the year to date, household deposits increased by €283 million. There have been strong inflows into overnight deposits, growing by €4.5 billion over the year to end-November, while agreed-maturity deposits fell by €4.1 billion.
- NFC deposits declined by €385 million in November; however, net inflows for the year to date amounted to €4 billion.
- On an annual basis, household deposits grew by 0.3 per cent, with overnight deposits growing by 9.6 per cent and all other maturity categories showing year-on-year declines. NFC deposits increased by 16.6 per cent year-on-year, with overnight deposits again driving the annual change.
- The annual rate of change in OFI deposits was minus 18.2 per cent in November 2014, while there was a quarter-on-quarter increase of 3.3 per cent. The developments in the annual growth rate of OFI deposits continue to be impacted by transactions related to the liquidation of the Irish Bank Resolution Corporation (IBRC).
- Deposits from ICPFs fell by 12.8 per cent over the year; this change was driven by developments in the agreed maturity categories of ICPF deposits which have shown a net outflow of €1.2 billion over the past twelve months.
- Credit institutions’ borrowings from the Central Bank as part of Eurosystem monetary policy operations decreased by €1.2 billion in November 2014. The outstanding stock of these borrowings decreased to €19.3 billion at end-November. The domestic market group of credit institutions accounted for €13 billion of this total outstanding stock.

ENDS

Notes:

Money and Banking Statistics currently include an aggregate balance sheet for the entire population of resident credit institutions, reported in Table A.4.

Please note that the composition of the subsets of the population reported in Tables A.4.1 and A.4.2 have been updated as follows:

A.4.1 – Domestic Market Group: Institutions whose ultimate parent entity is resident in Ireland (including credit unions), or which have a significant (>20 per cent) level of business with Irish households and non-financial corporations in terms of their overall resident business activity.

A.4.2 – Irish-Headquartered Group: Institutions whose ultimate parent entity is resident in Ireland. This includes all credit unions.

Note: The data released on 31 December 2014 includes a number of revisions from June 2014. The series' most affected was loans advanced to NFCs.

[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.

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

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