

Miss Helen Guinane  
Risk Division  
Central Bank of Ireland  
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24<sup>th</sup> February 2011

**HSBC Bank plc, Dublin Branch (“HSBC Corporate Banking”) Response to the Consultation Paper (CP 49): Consultation on Impact Metrics for the Risk Based Supervision of Financial Firms by The Central Bank & on Impact Based Levies**

Dear Ms Guinane,

We refer to the Central Bank of Ireland’s consultation paper on Impact Metrics for the Risk Based Supervision of Financial Firms by the Central Bank and on Impact Based Levies (“CP49”) and welcome the opportunity to participate in the public consultation process.

While HSBC Bank plc, Dublin Branch provides banking services in Ireland, our comments herein reflect our own opinions, based on our experience of the banking industry, and should not be considered as representing views held by any of our clients.

We endorse the adoption of a Risk Based Approach to Supervision of Financial Firms and the use of impact metrics to assess the relative prudential risk of credit institutions.

**The relevance of the potential impact metrics proposed by the Central Bank**

In summary, given the nature of our business, it is logical that the Potential Impact Metrics listed in Category A2 (Section 6 of CP49) would have limited impact specifically on HSBC Bank plc, Dublin Branch.

We would propose additional metrics that should be considered for Non retail firms such as HSBC Bank plc, Dublin Branch are Sector Concentrations in high risk lending, i.e. High Risk Real Estate Exposure (High Leverage or Development Finance), or Mezzanine/Subordinated lending.

Below are the suggested impact metrics for Category A2 firms (as set out in Section 6 of CP49) and our opinion on the relevance of each proposed impact metric to HSBC Bank plc, Dublin Branch.

<b>Category A2: Credit Institutions</b>	<b>Potential Impact Metrics</b>
Concentration of lending	May apply but as all lending is booked & funded from the HSBC Bank plc Balance Sheet, it will not be significant
Irish corporate lending volume	Will apply, this volume is small & majority of clients have an international presence
Number of customers	c.650 & is therefore not a huge number in context
Number of products	Low volume, originated & booked via HSBC Bank plc

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Number of sales staff	This will apply to Corporate Banking due to the increase in staff and sales targets for HSBC products in Ireland. All business is booked on HSBC Bank plc Group Balance Sheet.
Percentage of loans in key sectors e.g. mortgages	May apply but will not be significant

**The impact on the level of financial supervision and related financial levies payable**

In our opinion, the Central Bank’s plan to use impact metrics as a major determinant of the levies firms pay is fair. We note that there has been no discussion in the paper of the probability metrics and how they might be derived. We would therefore welcome further clarification on how this other side of the input to supervisory prioritisation will be determined.

We also believe that a draft practical example, by institution, of the potential metrics would improve the understanding and subsequent interpretations before finalisation for all relevant institutions.

Please note also that we endorse the IBF submission on this subject.

To conclude, we would like to thank you for providing us the opportunity to comment on the proposals in CP 49 and we would be happy to expand on any of the foregoing comments should you wish to discuss any of them further.

Yours Sincerely,



Deirdre O'Malley  
Local Compliance Officer  
HSBC Bank plc, Dublin Branch