

CENTRAL BANK OF IRELAND

Annual Report

Report of the Central Bank of Ireland
for the year ended 31 December 1998

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Central Bank of Ireland

24 May 1999

Dear Minister,

I have the honour to enclose herewith the Proceedings and Annual Accounts of the Central Bank of Ireland for the year ended 31 December 1998.

Yours faithfully,

Maurice O'Connell,
Governor.

The Minister for Finance

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Overview of 1998

The most significant milestone for the Irish economy in 1998 was the decision of the EU Council, at the beginning of May, that Ireland – along with ten other EU Member States – fulfilled the necessary conditions for the adoption of the single currency on 1 January 1999. The four convergence criteria that Member States were required to meet for participation in Economic and Monetary Union (EMU) are set out in Article 109j of the Treaty on European Union. In accordance with these, Member States had to achieve a high degree of price stability; the government financial position had to be sustainable; the normal fluctuation margins provided for by the exchange-rate mechanism of the European Monetary System (EMS) had to be observed without devaluing; and long-term interest rates had to reflect the durability of convergence achieved. In assessing convergence, the Treaty also required a satisfactory performance in regard to the current account of the balance of payments, as well as in the development of unit labour costs and other price indices. In the legal area, legislation governing individual National Central Banks (NCBs) participating in the single currency had to be fully compatible with the requirements of the Treaty and the Statute¹.

Emphasis is placed in the Treaty on the capacity of individual Member States participating in EMU to sustain the Treaty criteria over the longer term. The long-run commitment to stability in the single currency area is given concrete form by the stipulation in the Treaty that the primary objective of the ESCB shall be to maintain price stability; in the public finance area, the Treaty and the Stability and Growth Pact require Member States to avoid excessive budget deficits, and to keep fiscal positions close to balance or surplus in normal times.

Also, last May, it was agreed that the prevailing ERM bilateral central exchange rates would be used for determining the irrevocable conversion rates for the euro. Earlier, on 16 March, following a request from the Irish authorities, the previous bilateral central rates of the Irish pound against other currencies were revalued upwards by 3 per cent., bringing them close to market rates.

Having achieved a high degree of macroeconomic stability for a number of years – low inflation, low budget deficits, maintenance of the normal EMS fluctuation margins and low long-term interest rates – Ireland was deemed to have met the convergence and other criteria necessary for the adoption of the single currency. (The Bank's detailed assessment of Ireland's convergence in the context of participation in EMU was presented in last year's Annual Report.)

The Irish economy continued to record very rapid growth in 1998. This strong growth occurred in the context of a rather mixed picture in the international economy. While economic growth in the EU amounted to 2.9 per cent. in 1998, the difficult global context led to a loss of

1. The Statute of the European System of Central Banks (ESCB) and of the European Central Bank (ECB).

momentum in the EU economy in the second half of the year. There was a deceleration in growth in the UK, although the US experienced a better than expected economic performance. Real GNP growth in Ireland is estimated at $8\frac{1}{4}$ per cent. in 1998. This represented an acceleration over the previous two years and brought the average growth rate for the past five years to more than $7\frac{1}{2}$ per cent. A very significant feature of the past five to six years has been resurgent domestic demand which increased by more than 7 per cent. per annum in this period. Prior to this, domestic demand, particularly consumption, had been anaemic and growth was driven mainly by a strong export performance with foreign direct investment playing an especially important role. A better balance between the increase in domestic and export demand has resulted in a much improved employment performance, with employment increases in excess of 4 per cent. on average in the past five years. This has led to a much enhanced employment rate with increased labour supply coming from previously inactive labour, net inward migration and substantial reductions in unemployment. The employment rate for the population in the 15-64 age group is now about 60 per cent., an increase of more than 5 percentage points since 1992, while the unemployment rate has been reduced from nearly 16 per cent. to 6.7 per cent.

Economic performance over the past five years has, therefore, been exceptional. It is evident, however, that this should be regarded as something of a catch-up phenomenon as domestic demand recovered from the very depressed period of the 1980s and as the employment rate rose towards that of other developed economies. It will hardly be possible to sustain growth rates of the order of 8 per cent. when labour force growth moderates to about 2 per cent. Nonetheless, combined with the growth in productivity, Ireland can aspire to trend growth of 4 to 5 per cent. a year over the medium-term.

There are risks, however, that the inevitable slowdown might not be so benign. First, the Irish economy is highly dependent on foreign direct investment (FDI) inflows. While only about one-tenth of the work-force is employed in foreign-owned enterprises, about one-fifth of the increase in employment in recent years is occurring in foreign-owned enterprises. The bulk of this FDI comes from the US and is likely to be affected by any change in US economic performance. In particular, a slowdown in the US economy could diminish FDI inflows. Secondly, the Irish economy, being rather small, is inevitably less diversified than larger economies. FDI investment is relatively concentrated in a small number of dynamic sectors, where international setbacks would have disproportionate effects.

A third worry concerns the rapid increase in asset, including housing, prices. Studies of the housing sector suggest that price increases have been driven more by fundamental factors of supply and demand, rather than by factors of a speculative or bubble kind. Experience elsewhere indicates that commercial property investment in particular – hotels, retail malls, industrial and office development – is highly cyclical. The risks become greater, when as in Ireland in the recent past, real interest rates are substantially less than the real growth rate. A decline to the sustainable trend growth of 4 to 5 per cent. would help to limit the risk

of overinvestment. But if the slowdown is more severe, the rate of return on some property investments may prove to be inadequate.

Fourthly, there is a risk of a pick-up in more generalised inflation in the economy. Reflecting a tightening in the labour market and, perhaps also, the large increases in house prices, there has been a significant acceleration in wage increases in the recent past. The modern high technology areas, the construction and public sectors would seem to be leading this trend. There has also been a notable pick-up in services sector inflation – currently running at close to 4 per cent. – where domestic inflationary pressures would be most evident. It is important that these incipient dangers are addressed so as to permit the economy to revert, without undue competitive losses, to more sustainable long-run growth.

As far as the Bank's affairs are concerned, 1998 has been a successful year. The full range of normal activities continued, and, as indicated, there were also major new activities related to the preparation for the single currency. Following the decision on which Member States would participate in the single currency area, preparations by the ECB and NCBs for the start of Stage Three of EMU – 1 January 1999 – were intensified in a wide range of areas. This work covered the following – monetary policy framework and implementation procedures, foreign exchange issues, external reserves management, statistical issues, payments and settlements, information and communication systems, euro banknotes and coin, banking supervision and financial stability, co-operation with other institutions, legal issues and internal audit activities. A significant part of the ESCB's activities was devoted to the preparations for the changeover weekend at the end of 1998. These were all completed satisfactorily, and EMU operations and activities have been running successfully since the single currency's inception.

The Bank's role and responsibility in the supervisory area continued to expand in 1998. The Bank is the principal supervisor of financial institutions, apart from the insurance sector. Details of the Bank's activities in 1998 are set out elsewhere in this report.

Activities of the Central Bank of Ireland

Introduction

Section 20 of the Central Bank Act, 1989, requires the Bank to prepare and send to the Minister for Finance, within six months of the end of the year, a report of its proceedings during the year. The report is laid by the Minister before each House of the Oireachtas.

The report of the Bank's activities for 1998 opens with an account of the Governance and Management of the Bank. This is followed by a section dealing with Monetary Policy and Market Operations in 1998. The Bank's preparations for Economic and Monetary Union (EMU), both in the domestic and European context, are then outlined together with changes in the arrangements regarding the single euro-area monetary policy, the management of the official external reserves, monetary and financial statistics, economic analysis and in payments settlement systems.

The Report then sets out the Bank's activities in supervising banks and other financial institutions. Subsequent sections deal with the operations of the Bank relating to :

- Payments and Settlements Activities
- Economic Analysis and Research
- Currency Production and Issue
- Management and Support Services
- Internal Audit

Governance

Mr. Maurice O'Connell has been Governor of the Bank since 1 May 1994. *Governor*

The Board of the Bank comprises the Governor, who is Chairman and sole executive member of the Board, and nine directors appointed by the Minister for Finance; directors are appointed for fixed terms of five years.

Members of the Board, as at 31 March, 1999, were:

Name	Occupation	Date first Appointed
Maurice O'Connell	Governor	01.05.94
David Begg	Chief Executive	12.05.95
Donal Byrne	Company Chairman	28.06.94
Gerard Danaher	Senior Counsel	15.10.98
Friedhelm Danz	Company Chairman	01.02.96
Roy Donovan	Member of the Economic & Social Committee of the EU	01.12.89
Patrick Mullarkey	Secretary General, Department of Finance	13.06.94
Jim Nugent	Company Chairman	12.02.98
Martin O' Donoghue	University Professor	01.07.98
Eoin Ryan	Senior Counsel	14.09.92

The Board met on a monthly basis during 1998 and discussed a wide range of issues relating to monetary policy, supervision, management of the external reserves, payments systems, European affairs and the direction and control of the Bank.

Three sub-committees of the Board are established under Section 5(a) of the Central Bank Act, 1942, namely:

- Audit Committee
- Investments Committee
- Remuneration and Budget Committee

The members of the sub-committees, as at 31 March, 1999, were as follows:

Audit Committee	Investments Committee	Remuneration and Budget Committee
David Begg (Chair)	Eoin Ryan (Chair)	Roy Donovan (Chair)
Roy Donovan	Gerard Danaher	Donal Byrne
Martin O'Donoghue	Jim Nugent	Friedhelm Danz

The Bank wishes to thank the management and staff for their contribution to the work of the Bank during the year.

European System of Central Banks

The Bank is a member of the European System of Central Banks (ESCB). It participates fully in the policy development and operations of the ESCB which are implemented on a decentralised basis.

Monetary policy is determined by the Governing Council of the European Central Bank (ECB). The Governor of the Central Bank of Ireland is one of the 17 members of the Governing Council.

Under the Central Bank Act, 1998, the Governor, or in his absence, the Director General, has sole authority and responsibility for ESCB-related matters. The ESCB's statutory objective of maintaining price stability is enshrined in Irish law as the Central Bank's primary objective.

The Bank has assumed all the responsibilities that membership of the ESCB requires under the terms of the Maastricht Treaty. Arising from this, the Bank is participating fully in the thirteen ESCB Committees established by the Governing Council. One of these Committees, the Budgetary Committee, is chaired by the Deputy Director General of the Bank, Mr. Liam Barron. In addition, the Bank is represented on a wide range of ESCB sub-committees, working groups and task forces.

Accountability

The Bank is an independent statutory body which is accountable to the Oireachtas. The Governor appeared before Oireachtas Committees on four occasions in 1998. He appeared before the Joint Committee on Finance and the Public Service on 18 February 1998 and 1 April 1998, the Joint Committee on European Affairs on 3 June 1998 and the Committee of Public Accounts on 15 October 1998.

Accountability

Management Board and Other Committees

The Management Board, which has responsibility for co-ordinating the development and implementation of management policies, met regularly throughout the year. The Management Committee comprising departmental management, which has particular responsibility for Bank-wide communications and consultation, also met regularly.

Strategic Planning and Financial Control

The Bank's planning and budgetary processes continued to emphasise strategic and medium-term planning. In this context the major issues embrace integration into monetary union, the expansion of responsibilities in the area of financial supervision and the extensive capital re-equipment programme in the Currency Centre.

Monetary Policy and Market Operations

Overview

The Monetary Policy Statement for 1998, published on 6 January 1998, indicated that issues relating to preparation for economic and monetary union (EMU) would dominate monetary policy. At the same time, it was stressed that the Bank would continue to focus on price stability, which was identified as the prime responsibility of the Bank in the Central Bank Act, 1998. It was noted that, in the run-up to EMU, monetary policy was being formulated in unique circumstances and

EMU issues dominated monetary policy

that the ability of the Bank to make independent use of traditional instruments would be reduced as the year progressed.

The major issues facing monetary policy in 1998 were the appropriate conversion rate for the Irish pound going into EMU and the timing of interest rate convergence, against a background of inflation pressures. Given the open nature of the Irish economy, the exchange rate plays a particularly important role in determining domestic inflation. The decision on the conversion rate, as part of exchange-rate policy, was the responsibility of the Minister for Finance, although the Bank was consulted and was responsible for the implementation of policy. A sharp fall in the exchange rate in the early part of last year exacerbated inflation concerns. However, a 3 per cent. revaluation of the Irish pound against all other ERM currencies in mid-March limited the scope for further depreciation and eliminated a major element of uncertainty. The Bank's concerns about potential inflation, which were shared by the IMF, the OECD and others, were based in part on the rapid rate of economic growth, trends in asset prices and continued very strong money and credit growth. Reflecting these concerns the Bank expressed, on a number of occasions, a strong preference for delaying the interest rate reductions required for convergence for as long as possible, within the inevitable constraints implied by movement to EMU. Accordingly, the Bank kept its sale and repurchase (repo) rate unchanged at 6.19 per cent. in the first nine months of the year. The process of convergence was completed in three steps in the final quarter. The repo rate was reduced by 1.25 percentage points on both 12 October and 9 November, bringing it to 3.69 per cent. In the same period, the Short-Term Facility (STF) rate was reduced from 6.75 per cent. to 4.5 per cent. Interest rates were further reduced, with effect from 4 December, as part of a co-ordinated decision by the National Central Banks participating in monetary union from the start of 1999. The repo rate was reduced to 3 per cent., effective on 4 December, the same rate as in most other participating countries, and the STF rate was lowered to 4 per cent.¹ These changes prompted reductions in retail interest rates, including mortgage rates, which fell to within a range of 5.5 per cent. and 6.35 per cent. by the end of 1998.

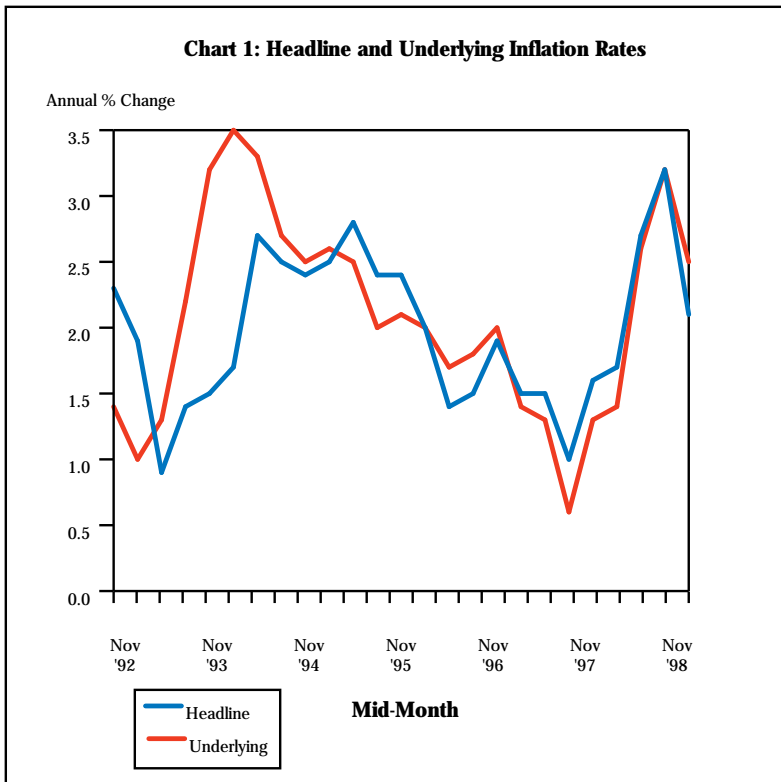
Inflation

Inflation developments

For most of 1998 there was a clear upward trend in inflation measured by both the Consumer Price Index (CPI) and the Harmonised Index of Consumer Prices (HICP). The former peaked at an annual rate of 3.2 per cent. in August, compared with a level of 1 per cent. a year earlier; the HICP moving in a similar fashion. This acceleration had been predicted by the Bank and reflected a number of factors, chief amongst them the depreciation of the effective exchange rate (EER) index of the Irish pound in 1997 and early 1998. The fall in inflation after August partly reflected the recovery of the EER during 1998, but was also due to the impact of reductions in mortgage interest rates.

For the year as a whole, inflation averaged 2.4 per cent. on a CPI basis and 2.2 per cent. using the HICP. Price developments were discussed in detail in the Quarterly Bulletins of the Bank.

¹ Both rates are expressed on a 360 day basis which is the agreed norm under monetary union. Previously, rates in Ireland were quoted on a 365 day basis.

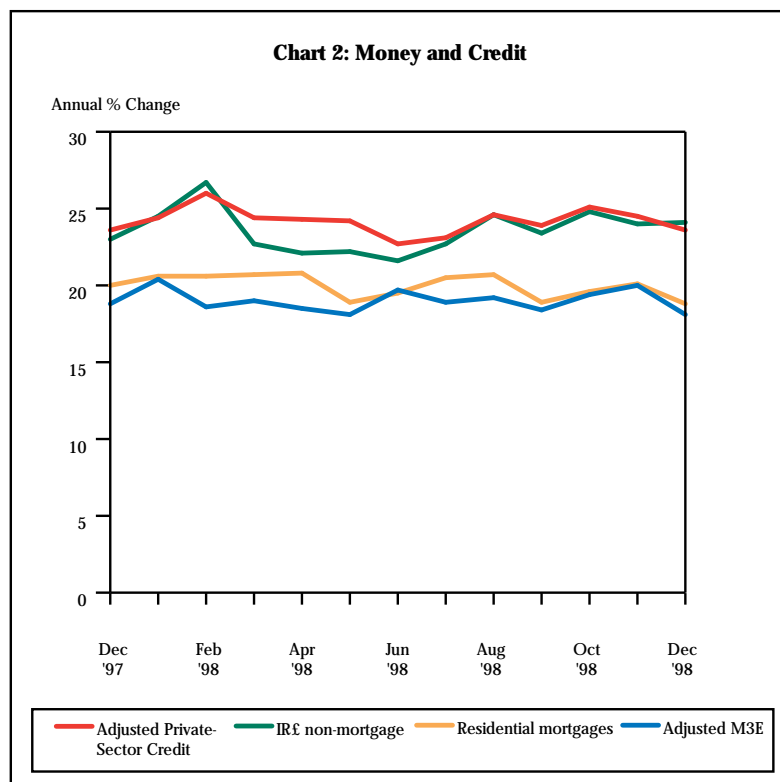


Money and Credit

Broad money supply and private-sector credit growth both remained strong during 1998. Adjusted for valuation effects, due to exchange-rate movements, and IFSC transactions, private-sector credit grew by around 24 per cent., on average, in 1998, compared with a little under 20 per cent. in the preceding year. There was no clear trend for credit growth in 1998, with the monthly annual growth rate fluctuating around 24 per cent. In general, credit growth was well distributed across different sectors of the economy. The strength of the property market was reflected in strong growth in lending to real estate activities, the construction sector and the personal sectors. In addition, the underlying annual rate of residential mortgage lending accelerated, especially in the second half of the year. There was also strong growth in non-housing personal sector lending, consistent with the strength of consumption demand.

Monetary Aggregates

For broad money supply (M3E), the annual average adjusted growth rate was around 19 per cent. last year. This was the same as the average for 1997 and lower than the average for the last six months of that year, indicating that growth in this aggregate had stabilised. There was a shift towards more liquid components of the money supply in 1998. This suggested high transactions demand for money, consistent with the strength of domestic demand. In addition, with



interest rates relatively low, the interest income forgone by holding funds in more accessible forms was lessened.

Reserve Assets

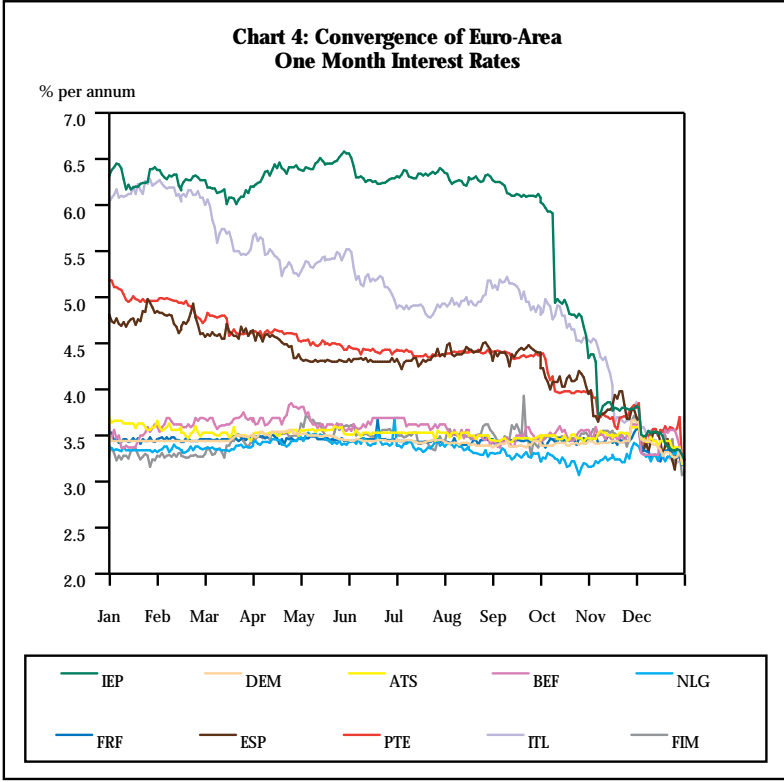
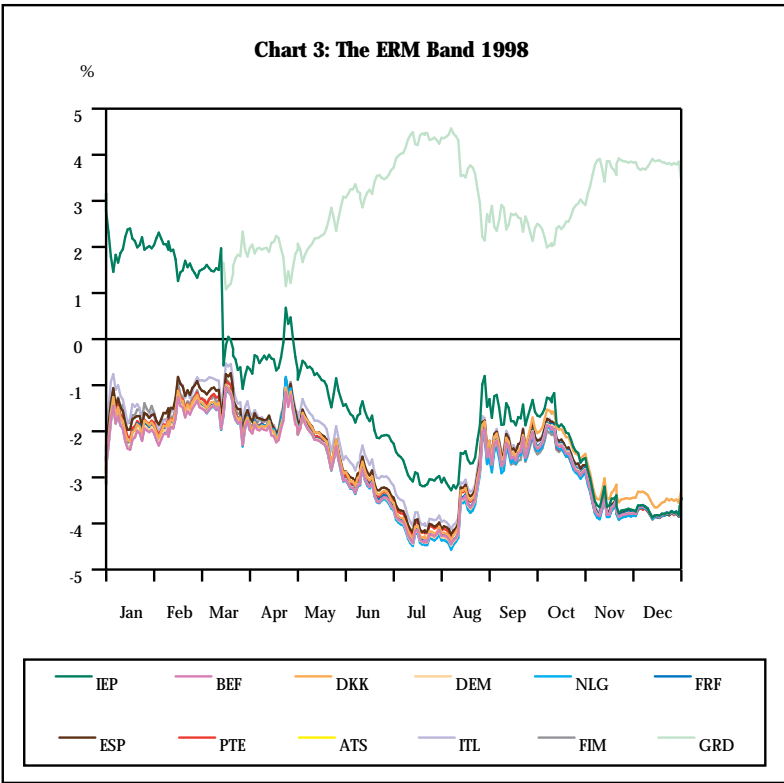
Reserve Ratio

The required ratio between credit institutions' reserve assets (i.e., primary liquidity deposits with the Central Bank and holdings of notes and coin) and relevant liabilities remained unchanged at 3 per cent. during 1998. In October, the Governing Council of the ECB announced that a reserve ratio of 2 per cent. would apply from the start of monetary union, with reserve balances remunerated at the average level of the main refinancing rate over the maintenance period. The new minimum reserve requirement system commenced on 1 January 1999.

Exchange Rate, Interest Rate and Bond Market Developments

Management of exchange rate convergence

The Bank did not conduct any intervention in the foreign exchange market in 1998. Convergence of the Irish pound towards its central rate, however, was closely monitored throughout the year. In this regard, the scale of depreciation required in order to achieve full convergence of the Irish pound and, in particular, the inflation implications of such an adjustment was a focus of attention for both the market and the authorities. Reflecting this, the early part of the year, in particular, was characterised by ongoing market expectations that the central rate of the Irish pound would be revalued upwards in order to reduce the required depreciation. The central rate of the Irish pound in the European Monetary System was revalued upwards by 3 per cent. on 16 March.



The Bank continued its normal money market management function of intervening in the market to smooth the impact of liquidity flows on interest rates. During 1998 considerable monitoring and market management was devoted to ensuring that the evolution of money

Management of interest rate convergence

market rates was in line with the Bank's desire to postpone the convergence to core European levels for as long as possible. Thus, the money market curve became sharply inverted as the year progressed with shorter-term rates reflecting the Bank's relatively high official interest rates while longer-term rates anticipated the lower rates that would prevail in EMU. By end-September the one month rate was yielding 2.0 per cent. higher than the one year rate. In the event, the Bank brought its official interest rates into line with other EMU participants in three steps: 12 October (-1.25 per cent.); 9 November (-1.25 per cent.); and 4 December (-0.65 per cent.). The final reduction was part of a euro-area wide co-ordinated effort.

Bond market convergence

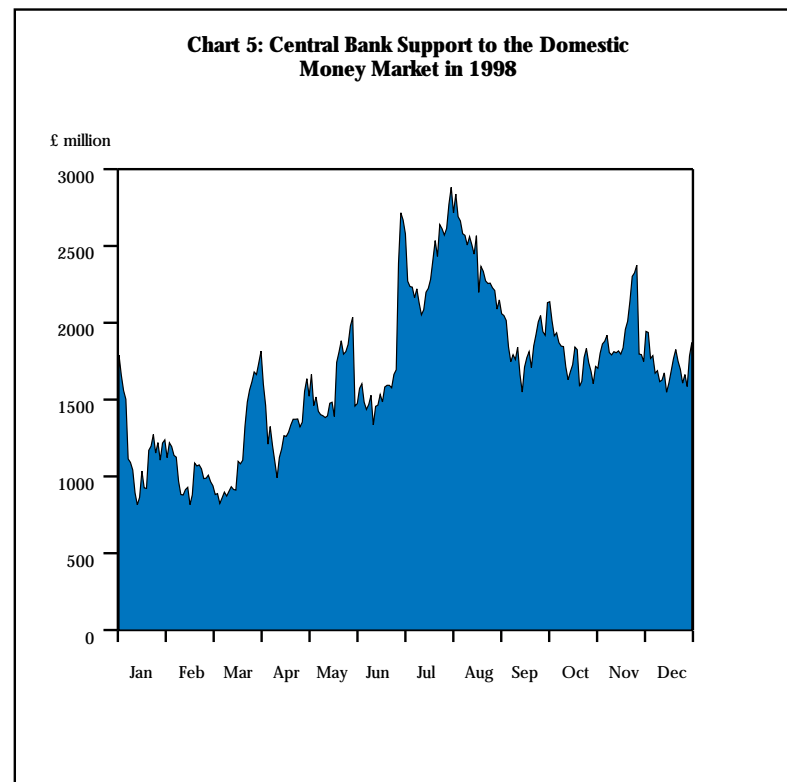
Irish bond yields had already largely converged with those of Germany by end-1997. Thus, the additional convergence that occurred in 1998 was marginal with five and ten year differentials vis-à-vis Germany narrowing by 0.21 and 0.03 percentage points respectively to 0.06 and 0.18 per cent.

Liquidity trends

Liquidity Conditions and Money Market Operations

At the end of 1997 the Bank was supplying £1,790 million to the domestic money market. Liquidity conditions improved considerably in January and February 1998 reflecting net government expenditure and the post-Christmas fall in currency in circulation. The liquidity shortage, however, increased in March and generally continued to climb into the summer months, reflecting largely buoyant government tax receipts. The shortage peaked at £2,882 million on 30 July before gradually easing towards the year-end helped by net government expenditure and payments of dividends on government bonds. At the end of December the Bank was providing support to the market of £1,871 million. This support included a substantial amount of foreign exchange swaps for longer than normal maturities, which were put in place to ease the transition to EMU.

Chart 5: Central Bank Support to the Domestic Money Market in 1998



Central Bank key money market rates during 1998 are set out in Table 1.

Period	STF Rate	Overnight Deposit Rate	Weekly Repro Rate
	%	%	
1 Jan – 11 Oct	6.75	3.50	6.19
12 Oct – 8 Nov	5.75	2.75	4.94
9 Nov – 3 Dec	4.50	2.50	3.69
4 Dec – 31 Dec	4.00*	2.00*	3.00*

(*expressed on a 360 day basis)

Table 2 summarises the money-market activities of the Bank during 1998.

	Daily Averages		Days Outstanding	End-Year 1998
	£m	Interest Rate (%)		
a) Provision of Liquidity				
Short Term Facility (STF)	16	6.2	291	47
Sale and Repurchase Agreements (Repos)	1,367	5.7	364	1,709
Foreign Currency Swaps	508	5.6	218	1,120
Use of Primary Liquidity Balances (surplus on required level)				947
b) Absorption of Liquidity				
Overnight Deposits	8	3.5	75	0
Term Deposits	118	6.1	20	0

Note: Averages calculated on the basis of days during which balances were outstanding (i.e. in the case of the STF advances, 291 days).

Official External Reserves: Operations and Risk Management

The official external reserves comprise foreign currency assets, gold, SDRs and the reserve position in the IMF. The main components of the reserves in the period 1995 to 1998 are outlined in Table 3. With the exception of SDRs and the IMF position, these assets are actively managed by the Bank.

Composition of reserves

£ million	Gold	SDRs	Reserve Position in IMF	Official ECU ^a	Foreign-Exchange ^b	Total
End-1995	88	100	184	370	4,731	5,473
End-1996	77	98	194	371	4,219	4,960
End-1997	71	117	239	573	3,636	4,636
End-1998	88	134	390	–	5,836	6,448
Change during 1996	–11	–2	10	1	–512	–513
1997	–6	19	45	202	–583	–324
1998	17	17	151	–573	2,200	1,812

^a As a result of Ireland's membership of the ERM, the Bank participated in quarterly swaps with the European Monetary Institute whereby the Bank exchanged twenty per cent of its gold and US dollar holdings for official ECU. (These swaps were unwound on 31/12/98.) The Bank could also engage in ECU transactions as part of the European Monetary System support arrangements.

^b At 31/12/98, this comprised US dollars, ERM currencies, sterling and Japanese yen.

Table 4 below outlines the sources of changes in the official external reserves in the period 1995 to 1998.

£ million	1995	1996	1997	1998
1. Reserves at beginning of year	4,041	5,473	4,960	4,636
2. Changes in reserves	1,432	-513	-324	1,812
<i>of which:-</i>				
Interventions involving Irish pounds	935	-20	-1,098	-
Foreign-exchange swaps	-	-	-	1,120
Government direct external borrowings	-672	-1,009	-1,041	-748
Government interest payments abroad	-885	-613	-537	-534
EU receipts	1,599	1,578	+1,984	1,772
Other (including valuation adjustments)	455	-449	368	202
3. Reserves at end of year (1 + 2)	5,473	4,960	4,636	6,448

Overall, the official external reserves rose by £1,812 million in 1998. The principal positive factors were EU receipts and positive foreign-exchange swaps. Repayment of government foreign borrowing and interest payments on foreign borrowing were the main negative influences.

IMF Quota

During 1998, agreement was reached by IMF member countries on the Eleventh General Review of the IMF Quotas. In accordance with this, Ireland's agreed quota increase, from SDR525 million to SDR838.4 million, was paid, effective from 4 February 1999.

Definition of reserves in EMU

Until the end of 1998, the Official External Reserves (OERs) comprised gold, SDRs, the Reserve Position at the IMF and foreign currency (non-Irish pound) assets. Following the introduction of the euro on 1 January 1999, external reserve assets denominated in currencies participating in the single currency, together with non-euro assets held within the euro area, henceforth became domestic assets. In the single currency regime, external reserves comprise assets denominated in non-euro currencies held outside the euro area. Accordingly, the Bank's OERs now comprise gold, SDRs, the Reserve Position at the IMF and non-euro assets held outside the euro area.

The Reserves stood at EUR8,187 million (IR£6,448 million) at end-December 1998. At end-January they amounted to EUR5,738 million (IR£4,519 million), a fall of EUR2,449 million (IR£1,929 million). Of this fall, EUR1,657 million was due to the exclusion from the External Reserves of positions in euro member currencies, which now become domestic assets, and transfers to the ECB of EUR425 million. The remainder of the change was accounted for by normal flows that impinge on the External Reserves.

The parameters within which the external reserves are managed are determined by the Board of the Bank; these include the currency composition of the reserves, the choice of investment instruments and the overall degree of risk which the Bank considers appropriate for its investment activities. The risks inherent in managing a portfolio of external assets are managed by a comprehensive system of limits and procedures approved by the Board. An Investments Committee of the Board reviews investment policy and performance, and is supported by the Bank's External Assets Investment Committee which considers policy issues and strategy relating to the investment of the reserves. This committee, under the chairmanship of the Deputy Director General, consists of senior staff of the Financial Markets Department. A Standing Investment Strategy Committee, comprising departmental management, senior dealers and a representative of the Bank's economic services, meets weekly to formulate short-term investment strategy. An Investment Desk comprising a team of dealers carries out the day-to-day dealing activities which are required to implement decisions and ensure that the reserves are fully invested. Risk monitoring and performance measurement are carried out independently of the dealing function.

Management of reserves

The management of the reserves follows a two stage approach; firstly, the currencies for inclusion in the portfolio are selected and, secondly, these currencies are invested in the major money and capital markets. In the second phase of the investment process, the objective is to maximise return within pre-defined risk parameters. Within this framework, the Bank employs a number of strategic and tactical investment methodologies and techniques. The reserves are invested in a wide range of instruments – deposits, other money-market instruments, government bonds and other high-quality fixed-income securities. On a day-to-day basis, the investment strategy involves positioning the portfolio to take advantage of opportunities to enhance returns in the international money and capital markets with the minimum amount of risk.

The main risks which the Bank incurs in its reserve management activity are currency risk, market risk, credit risk, liquidity risk and operational risk. Currency risk is managed by pursuing a policy of portfolio diversification; market risk is managed by limits on the duration of individual currency portfolios and the overall portfolio; credit risk is limited by confining exposures to approved instruments, counterparties and issuers of securities; and liquidity risk is managed by minimum liquidity levels and maximum exposure limits. Operational risk arises in relation to both investment and foreign-exchange exposure limits. The risk control structure is approved by the Board of the Bank and is reviewed regularly. A separate Risk Management Unit within the Financial Markets function, which is independent of the dealing function, is responsible for the measurement, monitoring and reporting of the Bank's risk exposures. The Unit also measures investment performance against the investment benchmark.

Risk Management

Over the year, the reserves were invested within the Bank's pre-determined rules, limits and guidelines. The performance of the investment portfolio was monitored against a benchmark portfolio, structured to reflect the Bank's objectives for liquidity, risk and return. This benchmark was compiled by Merrill Lynch, a US-based financial institution, on behalf of the Bank. The actual return in 1998 was marginally in excess of that of the benchmark portfolio. In EMU, the Bank will continue to manage its own portfolio of assets, i.e. those not transferred to the ECB.

Performance measurement

During the year, the Bank effected a significant shift out of commercial bank deposits and into short-term government securities in order to reduce the credit risk profile of the reserves. The Risk Management Unit monitored adherence to the Bank's investment criteria and produced and reported on performance measurement data on a periodic basis.

Preparations for Economic and Monetary Union

EMU Preparations

Overview

During 1998, the Bank actively participated in both domestic and EU preparations for the transition to the third stage of EMU and the introduction of the euro. Domestically, this work included preparation of the Bank's own internal systems and participation in groups charged with raising public and business awareness of the imminent introduction of the euro. The Bank was also consulted on the preparation of national legislation compatible with the Treaty and the Statute of the ESCB. At EU level, it was actively involved in the work of the Governing Councils of the EMI and the ECB and their related committees and working groups and of the EU Monetary and Economic Policy Committees. On a broader basis, the Bank was also represented at meetings of the International Monetary Fund (IMF), including the Annual Meeting of the Board of Governors and the 50th and 51st Interim Committee meetings, the Bank for International Settlements (BIS) and the Organisation for Economic Co-operation and Development (OECD).

International activities during 1998 took place against a background of transition: the European System of Central Banks (ESCB) and European Central Bank (ECB) were established on 1 June 1998 and the European Monetary Institute (EMI) went into liquidation on that date. As Ireland was one of the eleven EU Member States that fulfilled the necessary conditions for the adoption of a single currency on 1 January 1999, the Bank was actively involved in preparations for the transition to the third stage of EMU, both domestically and on the international front.

Domestic Preparations

The Bank had a wide involvement in Irish preparations for EMU, the pace of which showed a marked acceleration during 1998. For presentation purposes, the Bank's involvement is grouped under three main headings, namely, public sector activities, preparations by the banking and financial sector and internal preparations.

Preparatory groups

The public sector activities encompassed the raising of public awareness with respect to EMU and of business awareness with respect to the opportunities and challenges which the changeover to the euro presents. The main preparatory groups on which the Bank was represented are the **Euro Changeover Board of Ireland (ECBI)**, the **Forfás EMU Business Awareness Campaign** and the **Single Currency Officers Team (SCOT)**.

The ECBI was established by the Minister for Finance in May 1998 and the Bank's representative was appointed Vice-Chairperson. The ECBI was involved in the preparation of the third edition of the **National Changeover Plan**, which was published by the Minister for Finance in November 1998, conducted a survey on public awareness regarding EMU and produced a range of public information material. The Forfás EMU Business Awareness Campaign was launched in December 1996 and, since that time, the Bank has been actively involved in the production, by the Campaign, of a wide range of material for the business sector. The SCOT, which is chaired by the

Department of Finance, includes a representative from every government department and its remit is to co-ordinate preparations for the introduction of the euro in the public sector. It also provides a forum in which government departments are updated by the Department of Finance and the Bank on EMU developments, both within Ireland and at a European level.

The main conduit for the Bank's contributions to EMU preparations in the banking and financial sector was through participation in the **Irish Bankers' Federation/Irish Mortgage and Savings Association (IBF/IMSA) EMU Steering Committee** and relevant expert groups such as the Financial and Capital Markets Group and the Payments Group. The main issues dealt with in these fora were:

- Banks' Standard of Good Practice. This standard deals with bank charges for conversion to euro and dual display and was released in November 1998 and included in an appendix to the third edition of the National Changeover Plan.
- Guidelines on Conversion and Rounding. The IBF/IMSA contributed to information on this topic which was distributed as part of the Forfás Business Awareness Campaign.
- The use of EURIBOR in the domestic market. The agreement that EURIBOR would replace DIBOR for interest-rate quotations in the wholesale money market was underpinned by the inclusion of a section to this effect in the *Economic and Monetary Union Act, 1998*.
- The creation of mortgage-backed securities for use as tier two collateral in ECB monetary policy operations.
- Planning for the Changeover Weekend at end-1998/beginning of 1999. In addition to contributing to the planning process in the banking sector, the Bank provided a list of contact persons in key areas who would be available to provide support throughout the Changeover Weekend.
- Planning for the distribution of euro banknotes and coin. The Bank contributed to a consultant's report, commissioned by the IBF/IMSA, on the logistics of introducing euro banknotes and coin.

Internally, the Bank's EMU preparations were co-ordinated through its **European Monetary Affairs Committee (EMAC)**, which met regularly to review progress on the range of tasks which had to be completed before end-1998. Much of this work was a continuation of projects commenced earlier, covering areas such as:

- the modification of monetary policy instruments for Stage Three;
- the installation and testing of the Bank's systems required for the management of the ECB's foreign reserve assets;
- the installation and testing of the interlinking component of the Irish Real-Time Gross Settlement system for participation in the EU-wide Trans-European Automated Real-Time Gross Settlement Express Transfer System (TARGET);

- revisions to the statistical reporting system necessary for the changeover to the euro;
- the implementation and testing of systems for the conversion into euro of accounts held at the Bank;
- the conversion of the Government stock register to euro; and
- planning for the production, storage and distribution of euro notes and coins and arrangements for the exchange and repatriation of other euro area banknotes.

Legal Convergence

Legislation changes

Article 108 of the Maastricht Treaty required each Member State to ensure, at the latest at the date of the establishment of the ESCB, that its national legislation including the statutes of its national central bank was compatible with the Treaty and the Statute of the ESCB. The Bank's statutes were brought into conformity with the Treaty and the Statute by the enactment, in March 1998, of the *Central Bank Act, 1998*. The Act came into operation on 23 May 1998.

This Act vests sole authority and responsibility for ESCB-related matters in the Governor or, in his absence, the Director General; it also enshrines in law as the primary objective of the Central Bank the ESCB's statutory objective of maintaining price stability. The Act underpins the independence of the Bank and allows for its legal integration in the ESCB. With this Act and certain provisions of the *Economic and Monetary Union Act, 1998*, which came into operation later in the year, Ireland's legislation was judged to conform legally with the obligations of Article 108 of the Treaty.

The Changeover Weekend

Changeover Weekend

Over the Changeover Weekend (the period from the time of the announcement of the irrevocable conversion rates for the euro against the participating national currencies on 31 December until the start of trading in the euro on 4 January), intensive preparations were undertaken to effect the final conversion of central bank and financial market systems to the euro. The Bank, as a member of the ESCB, played a major role in these operations, ensuring that all its internal systems were successfully converted and monitoring the conversion activities of the Irish financial community to pre-empt any potential problems.

While preparations for the changeover to the euro have been underway for a number of years in all participating Member States, as the final deadline approached there was increasing recognition of the co-ordination and monitoring difficulties posed by the conversion of the large number of interrelated systems in eleven countries and in the ECB over a single weekend. To help develop a monitoring system which would act as an "early warning system" of potential problems in advance of and during the Changeover Weekend, a **Changeover Weekend Committee**, comprising representatives of all the participating national central banks (NCBs) and the ECB, was set up in September 1998.

This Committee established a set of “milestones” which formed the core of the monitoring procedure over the weekend. These milestones consisted of the critical changeover activities in each country, i.e., those system conversions which, if they had encountered an insurmountable problem, would have jeopardised the smooth functioning of monetary policy operations when markets opened on 4 January. These milestones covered both NCB internal systems and the vital systems and structures (“core infrastructures”) in the banking and financial sector in each country. The critical *internal* activities identified by the Bank covered the conversion of the general ledger accounting system, the redenomination of government securities, the conversion of the RTGS plus the link to TARGET and the securities settlement systems. The *core infrastructure* in the case of the Irish banking and financial sector comprised the NTMA (in relation to the redenomination of government securities), credit institutions holding settlement accounts with the Bank and members of the Bank’s Securities Settlements Office.

As part of its role in supporting the changeover to the euro, the Bank undertook to provide Irish banks and building societies with definitive sources for the conversion rates as early as possible. The Bank provided two sources: on Reuters page CBII and on its internet website. First, the conversion rates proposed by the Commission were published in each location, as soon as they became available (shortly after 11.30 a.m.). These rates were later confirmed as the irrevocable euro conversion rates, as soon as they were adopted by the EU Council.

All system conversions were achieved within the timetable set out by the Bank for the changeover of its critical activities. The general ledger accounting system, the government bond register, the foreign dealing back-office system and the RTGS functioned effectively from the outset. Among institutions which were being monitored, no problems were reported and their conversions were also successfully completed.

In Dublin, the euro money and foreign exchange markets operated smoothly when they opened for business on 4 January. This satisfactory transition was facilitated by the measures which the Bank had undertaken in the preceding weeks to create comfortable liquidity conditions during the first few weeks of EMU.

In order to provide information to the general public, the Bank established a freephone service through which details of the conversion rates could be obtained. Notice that this service would be available was provided through advertisements in the main daily newspapers on 31 December 1998. The freephone service was in operation from 31 December 1998 to 2 January 1999 and during this period 628 calls were received.

European Preparations

European System of Central Banks

The ESCB comprises the ECB and the NCBs of Member States. The primary objective of the ESCB is to maintain price stability; without prejudice to this objective, it shall support the general economic

Europe-wide Preparation

policies in the Community and act in accordance with the principles of an open market economy. The ESCB is governed by the decision-making bodies of the ECB, namely, the Governing Council, the Executive Board and the General Council. (In accordance with Article 1091(2) of the Treaty establishing the European Community, the EMI went into liquidation on the establishment of the ECB.) The Bank participated actively in the work of the ECB Governing Council and its related committees and working groups as outlined below:

ESCB Committees

Accounting And Monetary Income Committee
Banking Supervision Committee
Banknote Committee
Budget Committee
External Communications Committee
Information Technology Committee
Internal Auditors Committee
International Relations Committee
Legal Committee
Market Operations Committee
Monetary Policy Committee
Payment And Settlement Systems Committee
Statistics Committee

The EMI/ECB continued during the year to concentrate on preparations for the introduction of EMU.

The main areas of preparatory work undertaken included:

- the publication of an updated version of “*Single Monetary Policy in Stage Three: General Documentation on ESCB monetary policy instruments and procedures*”, which provides counterparties with the information they need in relation to the ESCB’s monetary policy framework;
- the implementation of the techniques for the taking of collateral within the ESCB for cross-border operations;
- the preparation of legal documentation in a number of areas such as the application of minimum reserves by the ECB, the powers of the ECB to impose sanctions, the collection of statistical information by the ECB and public access to documentation and the archives of the ECB;
- implementation and testing of the TARGET system;
- development of a Multicountry Econometric Model which will be used as an aid to monetary policy decision making;
- agreement on the new exchange rate mechanism (ERM II);
- printing by the NCBs of the pilot series of euro banknotes involving the production of several million banknotes under normal production conditions; and
- harmonisation of accounting principles and techniques by all NCBs, which allows for the preparation of consolidated accounts by the ECB.

The framework for the introduction of the single monetary policy and the establishment of the ESCB was defined in a set of EU Council and ECB Governing Council legal instruments.

EU Monetary Committee

The Monetary Committee was dissolved at the end of 1998. Its tasks included the reviewing of the monetary and financial situation of the Member States and the Community and preparation of reports on these issues for the Council of Ministers. With monetary policy becoming the sole competence of the ECB, the **Economic and Financial Committee**, which is the successor of the Monetary Committee, will focus on economic and financial issues.

While the work of the Committee was dominated by preparations for EMU, it continued its ongoing surveillance of Member States in the form of convergence programmes and prepared the Broad Economic Policy Guidelines for adoption by the Council. As regards preparations for EMU, the initial part of the year was taken up with preparing for the final decision, at the May European Council, on the initial participants in EMU. Subsequently the Committee geared itself to monitor Member States in EMU through the use of Stability and Convergence Programs, while also turning its attention to wider international issues, such as the architecture of the international financial system and the external representation of the Community.

Monetary Policy Implementation

The process of bringing the Bank's monetary policy instruments and procedures into line with the ECB model was completed in 1998. The most important of these changes – the introduction of an averaging provision into the minimum reserve requirement combined with a regular weekly repo tender operation – had been implemented in late 1997. The averaging provision allows credit institutions to draw on or add to their minimum reserve deposit to satisfy day-to-day liquidity requirements, provided *on average* their minimum reserve deposit is maintained at the required level. This averaging, in effect, provides a liquidity management tool to the market. The introduction of averaging, therefore, facilitated a reduced incidence of money market intervention, and consequently the Bank's main operations changed from daily to weekly. The remaining changes required in the Bank's monetary policy instruments and procedures were relatively minor and were completed well in advance of end-1998. By end-1998, therefore, the Bank and the credit institutions were fully prepared for the monetary-policy framework that would prevail under EMU. This framework includes open market operations, standing facilities and minimum reserves, as follows:

Monetary policy instruments and procedures

Open Market Operations

Open market operations can be divided into the following four categories:

Open market operations

- (i) Main refinancing operations which are repos conducted on a tender basis with a weekly frequency and a maturity of two weeks. They provide the bulk of refinancing to the financial sector.

- (ii) *Longer-term refinancing operations* which are repos conducted on a tender basis with a monthly frequency and a maturity of three months.
- (iii) *Fine-tuning operations* which may be carried out in order to smooth the effects on interest rates of unexpected liquidity fluctuations in the market. Fine-tuning operations can be conducted either on a tender or bilateral basis primarily as repos.
- (iv) *Structural operations* which may be carried out whenever the ECB wishes to adjust the structural position of the ESCB vis-à-vis the financial sector (on a regular or non-regular basis).

The Master Repurchase Agreement (MRA), in respect of repurchase transactions with the Bank, was implemented in January 1998. This establishes the legal basis on which the Bank secures its loans to credit institutions as part of its day-to-day monetary policy operations. A revised MRA to cover the requirements for Stage Three of EMU was implemented in December 1998.

Standing Facilities

Standing facilities

Two standing facilities are available to eligible credit institutions on their own initiative:

- (i) The *marginal lending facility* can be used by credit institutions to obtain overnight liquidity from the Bank against eligible assets. The interest rate on the marginal lending facility normally provides a ceiling for the overnight market interest rate.
- (ii) The *deposit facility* can be used by credit institutions to make overnight deposits with the Bank. The interest rate on the deposit facility normally provides a floor for the overnight market interest rate.

Minimum Reserves

Credit institutions must maintain minimum reserve deposits with the Bank. Their purpose is to create (or enlarge) a structural liquidity shortage. The averaging provision (described earlier) allows credit institutions to use their minimum reserve deposits to offset short-term liquidity requirements.

External Reserves Management

External Reserves management

The preparatory work for EMU imposed unique demands on Bank resources given that it was carried out contemporaneously with the domestic market management, and that it involved a heavy workload of EMI/ECB meetings dealing with monetary-policy instruments, market operation systems and liquidity forecasting. In addition, throughout the year the Bank was represented on an IBF group concerned with preparations for EMU in the Dublin money and capital markets. The Bank also issued detailed documentation covering terms and conditions under which monetary-policy operations would be conducted between the Bank and the credit institutions.

The Bank participated in the intense programme of testing, involving various PC-based ECB systems for effecting monetary and exchange rate operations on a decentralised basis. This testing, which commenced on 1 July and continued to the end of the year, involved the use of extended working hours in November. Finally, the detailed preparation for the irrevocable fixing of exchange rates culminated in a smooth fixing operation on 31 December.

The Bank's reserve management function was involved in extensive preparations for EMU during the year. The processes involved the acquisition of assets for transfer to the ECB, the introduction of new ECB technology, the redesign of the dealing area, the actual initial transfer of assets to the ECB, the conversion of assets held in the Bank's portfolio from national currencies to euro and considerable reconstruction of the Bank's own portfolio. Additionally a large amount of resources was devoted to planning in the run-up to Stage III of EMU.

Reserve management in EMU

The Maastricht Treaty provides for the transfer of a proportion of foreign reserve assets up to EUR50,000 million to the ECB. While these reserves will be in the ownership of the ECB they will be managed by the National Central Banks (NCBs). The ECB will make policy decisions including setting performance benchmarks, as well as performing control and monitoring functions while the NCBs will implement policy and execute transactions. The risk control structure is approved by the ECB Council of Governors and will be reviewed regularly. Each NCB manages a portion of the reserves within these requirements. A division within the ECB is responsible for the measurement, monitoring and reporting of the NCBs' risk exposures and investment performance.

Transfer of reserves to ECB

As its contribution to the foreign exchange reserves of the ECB, the Bank transferred ownership of a portion of its reserves (EUR425 million) to the ECB in December 1998. Those assets continue to be managed by the Bank as agent of the ECB. A complex ESCB technology system was installed during the year to support the monitoring and management of these reserves. The system permits the ECB to set and monitor adherence to investment parameters and to undertake performance analysis. Additionally, an ECB guideline was introduced governing relationships between the ECB and NCBs for operations involving the foreign reserve assets of the ECB. Internal arrangements were introduced to ensure that a division of duties exists between the ECB's and the Bank's portfolios in accordance with the requirements of this guideline. ECB Legal Documentation was signed by a number of banks which act as eligible counterparties for the ECB's reserves management.

As part of the preparations for EMU, considerable portfolio restructuring was undertaken throughout 1998. This involved changes to the currency composition of the Bank's assets and the credit-risk profile of the Bank's investments. (As stated earlier, the adoption of the single currency on 1 January 1999 resulted in assets held in foreign currencies participating in EMU becoming domestic assets from that date.) As part of the EMU process, the Bank moved to a passive management strategy for its Deutsche Mark assets so as to avoid any signalling effect to the markets as a result of operations in what would be the domestic currency in Stage III. Merrill Lynch

Restructuring of Bank's portfolio

compiled a new benchmark structure in 1998 to comply with the passive management of these assets.

Over the conversion weekend, reports and systems involved in the management of the reserves and which used the Irish pound as the base currency were successfully converted to euro.

Monetary and Financial Statistics

Major developments in Statistics

There were major developments and changes in relation to monetary and financial statistics in 1998, necessitated by requirements for Economic and Monetary Union. The revised statistics collected by the Bank now provide Ireland's contribution for calculating euro-area monetary aggregates for the purposes of the single monetary policy and for calculating the reserve base of credit institutions for minimum reserve requirements. The principal developments in 1998 were as follows:

- a series of meetings was held with the Irish Bankers Federation and financial institutions in 1998 to prepare for EMU in relation to statistical matters;
- a diskette reporting system was introduced to replace paper returns in 1998 to facilitate sending of data to the ECB;
- following a survey of collective investment schemes, the Bank finalised a list of monetary financial institutions (the MFI List). This list was then issued by the ECB with the aim of facilitating the production of a consistent balance sheet of the money-creating sector for the euro area;
- the first monthly data, based on a revised Resident Offices Return, were transmitted to the ECB during the year;
- in conjunction with other national central banks in the euro area, a revised return for the calculation of minimum reserve requirements was implemented in December 1998;
- a revised Quarterly Sectoral Return, which provides extensive counterparty information, was implemented in the early part of the year. This return together with the Quarterly Statistics of Currencies return, which provides data on the international business of credit institutions, forms the basis for meeting the quarterly data requirements of the ECB. The transmission of detailed quarterly data to the ECB commenced early in 1999.
- in January 1999, the Bank commenced euro-denominated statistical reporting. This involved the introduction of new monthly and quarterly returns to take account of the new currency and a number of additional conceptual changes; and
- a substantial revision to the Statistical Appendix published in the Quarterly Bulletin of the Bank was undertaken in 1998 and published in the Spring 1999 Bulletin.

During the year the Bank contributed to the work of the ECB (and the CSO) in developing balance of payments statistics. Although it is not the official balance of payments compiler, the Bank began to submit to the ECB monthly estimates for required key items of the balance of payments. Considerable progress was also made in 1998

in compiling a breakdown of balance of payments data on a geographical basis.

Preparations to enable Ireland to meet the IMF's SDDS requirements were progressed during the year. Information on current dissemination practices and related commitments are provided on the IMF Bulletin Board (internet address is <http://dsbb.imf.org>).

Economic Issues

Work in the area of economics and research during the year was substantially influenced by the imminence of EMU, with the Bank participating in a significant number of specialist working groups. A significant part of this work centred on the development of an econometric model of the Irish economy as one of a network of interlinked models for euro-area economies. (More detail on economic and research work is set out later in this chapter.)

Economic Issues

The Bank continued its participation in the work of the EU Economic Policy Committee. Against the background of the unsatisfactory employment situation in the EU, this work focused in large part on issues pertaining to the performance of labour markets.

Settlements Systems

Settlements systems

Real Time Gross Settlements System

The Irish Pound Real Time Gross Settlement System (RTGS) has been in live operation since March 1997. This system provides for the processing and settlement of payments between financial institutions across their settlement accounts at the Central Bank individually in real time throughout the working day. The RTGS is operated by the Bank on behalf of the credit institutions. These institutions and the Bank own the system through a non-profit making company – IRIS Co Ltd – formed for the purpose.

RTGS

Since mid-1997 the Bank has been working on a project to link the Irish RTGS to all other EU RTGS systems to enable the processing of large-value cross-border payments in euro. This European-wide linked system is known as the Trans-European Automated Real-Time Gross Settlement Express Transfer, or TARGET. Logica, a UK-based software firm which developed the software for the domestic RTGS system, worked with the Bank on this project also. Extensive testing of the system took place throughout 1998; this was co-ordinated by the ECB and involved rigorous domestic and cross-border testing. Participant workstation software was installed, both in the Bank and in domestic credit institutions, to facilitate real-time monitoring of the system. The TARGET system went into live operation with effect from the commencement of monetary union. This area is now staffed on a shift basis.

TARGET

Correspondent Central Banking Model

During the year the Bank collaborated with its European counterparts to establish the Correspondent Central Banking Model (CCBM) to facilitate the Bank's role as custodian of domestic securities for use as collateral by other EU NCBs in the conduct of monetary policy operations.

Foreign Exchange Settlements

Preparations were undertaken to ensure the successful settlement of transactions following the successful redenomination of foreign assets into euro on 1 January 1999. Procedures were also put in place to provide for the settling and recording of transactions relating to the ECB reserve asset portfolio to be managed by the Bank.

Supervision of Financial Institutions

Overview

Supervision of financial institutions

The Bank's responsibility for the supervision of a wide range of financial institutions is discharged by the **Banking Supervision Department**, which is responsible for the authorisation and ongoing prudential supervision of credit institutions, and the **Securities and Exchanges Supervision Department**, which is responsible for supervising the Irish Stock Exchange, stockbrokers, moneybrokers, investment intermediaries, various entities in the International Financial Services Centre (IFSC), futures exchanges and collective investment schemes.

The Bank's supervisory responsibilities derive from the legislation (Acts of the Oireachtas) and EU Directives listed in the Appendices and entail two main activities – initial authorisation and subsequent ongoing surveillance.

The authorisation process involves a rigorous examination of each application, including financial position, main shareholders, directors and senior executives, internal controls and systems and the ability to comply with supervisory requirements.

Supervision is effected through a combination of both off-site surveillance and on-site inspections. Off-site surveillance involves the examination of detailed returns received from institutions on a monthly and quarterly basis. On-site inspections consist of examination by the Bank's supervisory staff of the books and records of institutions and focus, inter alia, on asset quality, large exposures, capital, liquidity, corporate governance and internal controls. Inspections are complemented by regular review meetings with senior executives of the institutions.

Lists of entities authorised and supervised by the Bank are included in the Appendices.

Credit Institutions

Changes in the Banking System

The rationalisation of the Irish banking system continued during the year with the conversion of First National Building Society to bank and plc status, the agreement on a merger of Irish Permanent plc and Irish Life plc, the proposed sale of the State-owned ICC Bank and the proposed merger of ACC Bank and TSB Bank.

The number of building societies fell from five to three by the end of 1998 – EBS Building Society, ICS Building Society and Irish Nationwide Building Society -by way of the transfer of engagements from Norwich Irish Building Society to EBS Building Society and the conversion of the First National Building Society to a bank (First Active plc). Data relating to building societies, including details of shares and deposits, liquidity, own funds/reserves and management expenses required to be published by the Bank under the Building Societies Act, 1989, are contained in the Appendices.

Three banking licence applications were approved by the Bank and issued in 1998 – Sanpaolo Bank Ireland plc, Hewlett-Packard International Bank Limited and Commerzbank International (Ireland). A further seven banking licences were issued during the period; three of these were approved in 1997 – Caterpillar International Bank plc, Hypo Bank Ireland and Banca Commerciale Italiana (Ireland) plc; one (First Active plc) was issued on conversion from a building society to a bank; the remaining three reflected changes of name – GE Capital Woodchester Bank Limited, HypoVereinsbank Ireland and Credito Italiano Bank (Ireland) plc. One licence was revoked (Hypo Bank Ireland) at the licence holder's request following transfer of its business to Vereinsbank Ireland.

Twenty five credit institutions from other European Economic Area (EEA) Member States notified the Bank of their intention to provide services in Ireland in accordance with the Second Banking Co-ordination Directive (2BCD). Three of these have established branches:- Bankers Trust International plc; Citco Bank Nederland NV and Credit Local de France – the other 22 are providing services on a cross-border basis.

The primary supervisory focus during 1998 was on credit risk, arising from the high level of growth in lending to the private sector. The Bank conveyed its concerns about this to the credit institutions on a number of occasions and warned against dilution of underwriting standards. Following a survey of credit approval criteria of a number of mortgage lenders, special inspections were undertaken (including visits to branches) to verify the accuracy of assurances given by these institutions.

Supervisory focus

Issues considered during these inspections included loan to value, income multiple criterion/stress testing, sources of funding and evidence of borrowers' income. While some prudential concerns arose, it is important for credit institutions to take a medium-term perspective and to provide for the potential consequences of an economic downturn and higher interest rates.

Thirty on-site inspections and seventy five reviews of credit institutions were carried out during 1998 and covered banks based in the IFSC as well as domestic institutions. Apart from focusing on underwriting standards relating to credit growth, areas of prudential attention included control over derivatives and trading activities, the adequacy of internal control systems, compliance with money laundering guidelines, readiness for EMU and Year 2000. In general, inspections and reviews did not reveal matters of significant prudential concern.

Inspections and Reviews

Allegations of malpractice in the banking sector, particularly relating to fees, charges and taxation compliance, generated extensive public debate and led to a number of investigations and inquiries by the Bank.

The Bank was represented on an inter-departmental working group on legal and consumer issues in banking, which was established by Government in early 1998, to examine the law and practice

governing the provision of financial services in Ireland and the impact of this on consumers. The work of this group was subsumed under the Implementation Advisory Group which was established on 20 October to advise the Government on the operation of a Single Regulatory Authority for the financial services industry. The Bank, which is represented on this Group, submitted a series of papers.

IFSC

International Financial Services Centre (IFSC)

At end-December 1998, a total of **445** projects had been approved to establish operations in the IFSC, of which **337** were being actively pursued by their promoters. Of this number, **180** were subject to supervision by the Bank. During 1998, the Bank was represented on the IFSC Clearing House Group which identifies and considers issues of concern to the further development of the centre. It is also represented on various IFSC sub-groups. The Bank is also a member of the Certification Advisory Committee (CAC), which makes recommendations to the Minister for Finance regarding whether or not a project should be accepted for the special tax regime applying to the IFSC.

Changes to the existing arrangements for approving projects setting up in the IFSC were put in place in the second half of 1998. The arrangements include the introduction of a quota system for project approval for 1998 and 1999. This resulted in a large number of projects coming forward for consideration in late 1998 and this has continued into 1999.

Regulation of investment firms

Investment Business Firms

The Bank's responsibility in respect of investment business firms is the proper and orderly regulation of such firms and the protection of the interests of investors.

The Bank maintains registers of authorised investment firms which are available to the public. As at 31 December 1998, the Bank had been notified of approximately 700 EU firms, which are authorised in their home Member States, and which intend to provide services in Ireland. **Any person who wishes to check on the authorisation status of a particular firm, may contact the Bank at the Lo-call number 1890-200-469.**

Certain provisions of the Investor Intermediaries Act, 1995 (the IIA) were amended by The Investor Compensation Act, 1998 (the ICA). From 1 December 1998, Restricted Activity Investment Product Intermediaries (RAIPI's) – a limited form of investment business firm which typically acts as a deposit agent or broker or which receives and transmits orders from/to a product producer – require authorisation from the Bank (prior to this date, such entities were deemed authorised).

The Bank was obliged to take legal action against James Bowen Investment Consultants Limited. This involved the revocation of the firm's authorisation and subsequent directions prohibiting it from carrying on investment business services.

During 1998, 86 on-site inspections were carried out and, in addition, 210 review meetings were held.

The Bank is currently revising the requirements imposed on investment business firms in the light of its supervisory experience and with a view to producing a more comprehensive, user-friendly rule book. (Copies of the requirements are available directly from the Bank or may be accessed via the Bank's website at www.centralbank.ie).

Approved Professional Bodies

Five accountancy bodies held interim approval from the Bank to regulate the investment business activities of their members. One of these bodies, the Association of Chartered Certified Accountants, was granted full approval on 11 December 1998. Three other bodies, the Institute of Chartered Accountants in Ireland, the Institute of Chartered Accountants in England and Wales and the Institute of Chartered Accountants of Scotland, received full approval early in 1999.

Approved bodies

Collective Investment Schemes²

The Bank is responsible for the authorisation and supervision of collective investment schemes. This process consists of the approval of the scheme itself, the promoter and other parties associated with a scheme. The framework for this supervision is set out in the relevant legislation and in the Bank's Notices which detail the requirements for the scheme and the parties associated with it. These Notices are available on the bank's Website – www.centralbank.ie

The Bank continues to monitor and evaluate the collective investment scheme authorisation process and endeavours to increase awareness among the various parties of the need to co-operate constructively with the Bank to improve processing efficiency.

Collective Investments

The net asset value of authorised collective investment schemes at end-December, 1998 was £55.9 billion, compared with £33.7 billion at end-December, 1997. At end 1998, a total of 694 collective investment schemes of various types stood authorised compared with 569 at end-1997. Further data relating to funds are set out in the **Appendices**.

At end 1998, a total of 77 Undertakings for Collective Investment in Transferable Securities (UCITS) collective investment schemes authorised in other Member States of the EU had notified the Bank of their intention to market their units in Ireland (98 at end-1997). A total of 45 unit trusts and investment companies (NON-UCITS), authorised in other jurisdictions, have been approved to market their units in Ireland (69 at end-1997). This reduction reflected the merging of a number of funds into a single fund structure. A list of both the

² Collective investment schemes are established for the purpose of investing the pooled funds of investors (held as units or shares in the schemes) in investment assets in accordance with investment objectives published in a prospectus. Collective investment schemes in the form of Undertakings for Collective Investment in Transferable Securities (UCITS) may be established either as unit trusts or as investment companies. They may be marketed in other Member States provided that their authorisation is notified to the host supervisory authority and that the schemes are in compliance with the host country conduct of business rules. The UCITS Regulations designate the Bank as the competent authority with responsibility for the authorisation and supervision of UCITS. Collective investment schemes which fall outside the scope of the UCITS Regulations (non-UCITS) are authorised and supervised under the Unit Trusts Act, 1990, for unit trusts, the Companies Act, 1990, Part XIII, for investment companies and the Investment Limited Partnership Act, 1994, for investment limited partnerships.

UCITS and non-UCITS schemes referred to above can be found in the **Appendices**.

Guidance Notes

Three draft Guidance Notes dealing with Fund of Funds/Feeder Funds, Valuation Methodologies and Administration Companies/Investor Compensation Act, 1998, were issued to the industry for consultation in 1998. The Guidance Note on Administration Companies/Investor Compensation Act, 1998 was issued in its final form in January 1999.

Following the near collapse of a large US based hedge fund – Long-Term Capital Management (LTCM) – the Bank reviewed the activities of hedge funds in an Irish context. A consortium of financial institutions, under the direction of the US Federal Reserve Bank, put together a rescue package and no public funds were involved in the rescue of LTCM. The US authorities emphasised that the collapse of the hedge fund could have had a serious adverse impact on the stability of the financial system, not least because of the substantial level of borrowing undertaken by LTCM. The Bank's review concluded that the main lessons to be learned from this event are the need for all lending institutions to adhere to prudent lending practices – sound credit analysis, meaningful measures of overall exposure, effective limit setting, effective ongoing monitoring.

Stock Exchange

Exchanges, Member Firms and Moneybrokers

The Bank is also responsible for the supervision of the Irish Stock Exchange and its member firms (i.e. stockbrokers). During 1998, following a merger, the Bank revoked the authorisation of one member company and authorised a further company under the Stock Exchange Act, 1995. The Bank devoted significant resources to the supervision of Money Markets International Stockbrokers Limited (MMI) which ran into financial difficulties in mid-1998. The Bank suspended the firm from conducting stockbroking business in September 1998 as the firm's financial position had placed investors' funds in jeopardy. During the period of suspension a corporate restructuring was organised and the firm recommenced business in December 1998. However, trading difficulties eventually led to the firm being wound up in February 1999.

As at 31 December 1998, the Bank has authorised six moneybrokers. Due to the nature of their activities, four of these firms are authorised under Section 10 of the Investment Intermediaries Act, 1995, while the remaining two are authorised under Section 110 of the Central Bank Act, 1989.

There are two futures and options exchanges operating in Ireland – FINEX Europe and NYFE. FINEX Europe is a branch of the Financial Instrument Exchange, which, in turn, is a division of the New York Cotton Exchange (NYCE). FINEX Europe trades a number of cross-currency futures contracts, cross currency options contracts, a US Dollar index futures contract based on a basket of currencies and a dollar index option contract. NYFE is a branch of the New York Futures Exchange (NYFE) which in turn is a wholly owned subsidiary of the New York Cotton Exchange. At 31 December 1998, this

exchange listed one contract – the NYSE Composite Index Futures contract. At 31 December 1998, there were 42 firms trading in FINEX and NYFE. Since that date two further stock index contracts have been listed.

Unauthorised Investment Firms

During 1998, the Bank continued to investigate firms, (mainly through on-site inspection and contact with foreign regulatory authorities), that may be providing investment business services without holding an appropriate authorisation. Action was taken against a number of firms.

Unauthorised firms

Following an amendment to the Investor Intermediaries Act, 1995 the Bank is now permitted to publish warning notices in the national press about firms that may be operating unlawfully as investment business firms and, to end 1998, six such notices concerning nine different companies have been published. These notices represent part of a public awareness campaign advising the public of the risks in dealing with unauthorised firms. The notices related mainly to non-resident firms 'cold-calling' Irish residents, providing investment advice or/and recommending that they buy shares in specified quoted companies.

Investor Compensation

The Investor Compensation Act, 1998 (ICA) came into force on 1 August 1998. This Act implements the EU Investor Compensation Directive in Ireland and covers both firms which are subject to the Investment Services Directive (ISD) and other non-ISD firms which provide investment/financial services in Ireland and are regulated under Irish legislation.

Investor Compensation

The Act provided for the establishment of the Investor Compensation Company Limited. The Bank is a one-third shareholder in the company, together with the Irish Stock Exchange and the Irish Association of Investment Managers. The primary function of the company is to establish funds from which eligible clients of investment firms will be paid compensation. The Bank also provides administrative services to the company, the cost of which is to be met by the company.

Amendments to EU Directives

Directives amending the Capital Adequacy Directive, the Solvency Ratio Directive and the First Banking Directive were published by the EU Commission in July 1998. These amendments relate to such matters as the recognition of mathematical models (e.g., Value at Risk) for the purpose of capital adequacy calculations, concessionary capital treatment for mortgage backed securities as well as a range of technical amendments and updates to existing directives. These Directives will be implemented for credit institutions and investment firms by administrative notice during 1999.

EU Directives

Money Laundering

Extensive discussions on the Money Laundering Guidance Notes for credit and financial institutions were reviewed during 1998. Following consultation with the industry, updated and revised Guidance Notes are expected to be issued in 1999.

The Central Bank Act, 1997, which came into effect on 9 April 1997 designates the Bank as the body responsible for the authorisation and supervision of bureaux de change in the context of ensuring the effective implementation by bureaux de change of the money laundering provisions of the Criminal Justice Act, 1994. These provisions, with which bureaux de change have been obliged to comply since May 1995, relate to identification of customers, record-keeping and reporting. The Act does not place any obligations on the Bank regarding the **prudential** supervision of bureaux de change. The Bank has authorised seven Bureaux de Change to end December 1998.

Section 57(2) of the Criminal Justice Act, 1994 (the 1994 Act) places an obligation on the Bank to report to the Garda Síochána any suspicions it may have that a financial institution, subject to the Bank's supervision, may have committed or is committing a money laundering – related offence under either Sections 31 or 32 of the 1994 Act. During 1998, the Bank made five reports to the Garda Síochána.

During 1998, an expert group from the Financial Action Task Force (FATF), an anti-money laundering group established under the auspices of the OECD, undertook a second evaluation of Ireland's anti-money laundering legislation, policies and procedures in relation to the FATF's recommendations in this area. The overall conclusion of their report is that Ireland has put in place a comprehensive and very solid legislative scheme for combating money laundering. The report states that the Bank has taken a very active approach to the supervision and regulation of the institutions under its control which provides a strong structured basis for anti-money laundering measures in the financial sector.

Year 2000

The Bank continued to monitor the preparedness of supervised entities for Year 2000 with particular emphasis on the testing and implementation of new systems and contingency planning. The up-to-date position is regularly monitored by the Bank at review meetings and during the course of on-site inspections. Papers on Year 2000 issues published by the Basle Committee on Banking Supervision were circulated to all credit institutions in 1998.

International Activities

The Bank is responsible for the prudential supervision of the overseas activities of Irish institutions. In practice, it discharges its responsibility in co-operation with foreign supervisory authorities. Co-operation with other supervisory authorities is organised by establishing working relations through bilateral Memoranda of Understanding – MOUs (EEA countries) or exchanging letters of understanding (non-EEA countries).

Discussions took place during the year with the banking supervisory authorities in Austria and Italy and MOUs are expected to be finalised with these countries during the first half of 1999. Bilateral meetings were held with the German and UK supervisory authorities

during 1998 and information was exchanged in relation to supervision matters of mutual interest.

While the Bank is responsible for the consolidated supervision of banking groups whose parent is based in Ireland, the supervision of branches of credit institutions authorised in any of the Member States of the EEA is primarily the responsibility of the home Member State (i.e., where the Head Office is located). Bilateral MOUs, which set out the respective duties of home and host supervisors, have been signed with supervisory authorities in Belgium, Denmark, France, Germany, Luxembourg, Netherlands and the United Kingdom. Letters of understanding have been exchanged with Malaysia, Canada, Japan, South Africa and Bahrain.

The Bank is represented on the ECB's Banking Supervision Committee, the International Organisation for Securities Commissions (IOSCO), the forum of European Securities Commissions (FESCO) and the Centre for European Policy Studies³. During 1998 the Bank provided the Chairperson for a committee established by FESCO charged with drafting European standards for assessing the fitness and properness of firms and individuals which have been adopted by FESCO, the EU Groupe de Contact-banking supervisors and the Conference of Insurance Supervisors of the EU member States. The Bank also participates in a number of expert and working groups in the financial field under the auspices of the EU Commission and the ECB, and regularly attends OECD meetings of the FATF, which exchanges information on and develops common international standards for anti-money laundering measures.

Payments and Settlements Activities

Regulation of Payment Systems

Under the Central Bank Act 1997, the Bank was, for the first time, empowered to regulate payment systems. The Act provides for the Bank to authorise all payment systems in the State and to approve their rules. During 1998 the legal documentation for the three clearing companies which will take over the work of the Dublin Bankers' Clearing on a functional basis, viz., Debit, Credit and Electronic, was submitted to the Bank for approval. At end-year, consideration of this submission was proceeding. During the first quarter of 1999 the three companies were approved in principle subject to completion of certain documentation to the Bank's satisfaction by September 1999. In addition, the legal documentation for the Irish Payment Services Organisation (IPSO) was submitted to the Bank. The IPSO co-ordinates the operation of payment systems in Ireland and, while is not a payment system *per se*, its operations are of concern to the Bank from its dual role as a participant and the regulator of payments systems.

Regulation of payments systems

Registrar Function

The Bank maintains the register of stocks issued on the domestic market by the Government, the Housing Finance Agency, the European Investment Bank and Ulysses Securitisation plc. The latter is a state-sponsored special-purpose financing vehicle which was incorporated following the passing of the Securitisation (Proceeds of Certain Mortgages) Act, 1995. This Act provides for the securitisation

Stock registers

³ The CEPS is an independent research institute based in Brussels, which encourages the study and discuss of public affairs in Europe

of certain mortgage debts owed to Local Authorities and the issue of marketable securities by Ulysses.

As indicated in Table 6 below, Government Stock issued on the domestic market showed a net decrease of £874.7 million for the year. This compares with a net increase of £858.9 million in the previous year. A total of 57,315 transfers (including CBISSO transfers) was processed during 1998 compared with 86,927 for 1997.

£ million	1997	1998
Stock Issued	296.5	—
Stock Created	34,961.4	26,010.4
Total	35,257.9	26,010.4
Stock Redeemed	1,282.3	1,416.3
Stock Cancelled	33,116.7	25,468.8
Total	34,399.0	26,885.1
Net Stock Increase	858.9	-874.7

The number of accounts on the stock register continued to fall reaching a level of 13,520 at end-1998 from 14,980 at end-1997. The National Treasury Management Agency (NTMA) announced the early redemption of 14½% Finance Loan 1998/2000 on 15 September 1998. During 1998 a total of three stocks (1712 accounts) were redeemed with no new stocks being issued. There were 59 dividend issues with 24,400 individual payments. The 'ex-dividend'⁴ period for stocks registered at the Bank was reduced in 1998 from 10 to 7 working days.

The euro conversion project accommodated the redenomination of all government stock into euro from 1 January 1999. All account holders were notified by end-year of the implications of redenomination.

Settlement of large stock transfers

Settlement of high value transfers

The Central Bank of Ireland Securities Settlements Office (CBISSO) provides a secure and guaranteed system for settling transactions in the market for Government, Housing Finance Agency, Ulysses Securitisation plc and European Investment Bank stocks. Transfers between members of the CBISSO are recorded on the Government Stock Register at 3.00 p.m. each day. At the same time, corresponding guaranteed payments between settlement banks are effected through their settlement accounts at the Bank.

In relation to the ongoing CBISSO automation, consultations with market participants commenced in September 1998 with a view to agreement on the extent and direction of future CBISSO automation.

⁴The 'ex-dividend' period is the time between the date of a dividend payment and the earlier 'ex-dividend' date, on which the closing stock balances are used for calculation of the actual dividend payments to account holders.

A Study Group was established to conduct a strategic review of CBISSO; representatives from the Bank, the NTMA and CBISSO members comprise the group. Their Terms of Reference include, *inter alia*, identification of the options for the development of the Securities Settlement System over the short, medium and long term. An interim report was issued in January 1999 with the final report due for completion by mid-year.

Prompt Payment of Accounts Act, 1997

The Bank is listed in the schedule to the Prompt Payment of Accounts Act, 1997 and is therefore obliged to comply with the terms of that Act. In reporting under the requirements of S12 of the Act, the Bank has taken account of the Guidelines issued by the Minister for Enterprise Trade and Employment. During 1998 the Bank took all reasonable steps to guard against material non-compliance with the Act and on the basis of experience during the year has introduced a number of procedures in this regard.

A detailed review of all relevant records for the year reveals the following:

- Total number of late payments in excess of £250 57
- Total value of late payments in excess of £250 £460,186
- Total value of all late payments (A) £463,911
- Total value of all payments (B) £19,463,344
- A as % of B 2.4%
- Total amount of interest paid on late payments. £1,606

Economic Analysis and Research

Overview

The Bank continued to monitor developments in the domestic economy as an input to the formulation of monetary policy during the year. Much attention was devoted to assessing economic conditions in the EU and euro area generally, following the decision of ECOFIN on 2 May 1998 that eleven EU Member States, including Ireland, fulfilled the necessary conditions for the adoption of a single currency on 1 January 1999. Economic forecasts and policy assessments were prepared through the year and communication with the public through the Bank's Bulletins and Technical papers was maintained.

Economics and Research orientation broadened

With the establishment of the European System of Central Banks (ESCB) and the European Central Bank (ECB), much of the work in the economics and research area has been oriented towards that of various Committees and Working Groups of the ESCB. The work of these entities focused, *inter alia*, on analyses and forecasting of economic conditions, inflation, monetary policy issues, public finance matters and economic statistics.

As well as facilitating participation in these various ESCB bodies, economic research is undertaken in the Bank to:

- provide an analytical basis for advice and policy formulation
- act as a conduit through which developments in economics, finance, econometrics and other techniques are incorporated, where relevant, in the Bank's work
- co-operate with other departments of the Bank by providing specific skills for interdisciplinary studies to be carried out for or with other departments
- present to the public the results of economic research and studies.

Particular emphasis is placed on empirical work with clear practical application. Computerised access to domestic and international databases is maintained. Currently, various changes are being effected which will improve management of, and ease of access to, data.

Inflation

Inflation

The monitoring and assessment of inflationary trends involved the development and refinement of various model-based approaches, together with more informal, judgmental measures. The former used a composite leading indicator of inflation, measures of the output gap, i.e. the gap between the economy's actual level of output and estimated potential output, univariate and multiple time-series models, and other structural models of inflation. The more judgmental approach entailed monitoring prospective inflation from surveys and through informal contact with a number of entities in the business sector. Other work relating to inflation during the year dealt with a two-sector (traded/non-traded) analysis, an examination of the inflationary process in EMU, and housing prices.

Public Finance

Work in the public finance area included an assessment of ongoing developments in regard to both revenue and expenditure heads. Work continued on assessing structural or cyclically-adjusted deficits/surpluses, the sensitivity of the budget to changes in economic activity and interest rates and on the evolution of the public debt to GDP/GNP ratio under various scenarios.

Monetary Policy Issues

Research in this area concentrated on an examination of the conduct of monetary policy within EMU and of the various strategies that might be followed. Other areas covered included work on the demand for money and the term structure of interest rates.

ESCB model

ESCB Multi Country Econometric Model

All fifteen EU Central Banks are participating in a project to set up a series of linked macro-economic models under the auspices of the ECB. The purpose of the project is to assist in the formulation of monetary policy in the euro area, the assessment of the effect of various shocks on the EU and individual countries, and in simulation and forecasting exercises. An initial Irish version has been estimated and is currently being tested. This work is being co-ordinated and completed in conjunction with the ECB Working Group on Econometric Modelling. Work will continue in the coming year on the elaboration and linking of the fifteen country models.

Where appropriate, the results of research projects were reproduced in the Bank's technical paper series. All issues in this series are available in printed form and recent issues can be examined and downloaded from the Bank's Website (<http://www.centralbank.ie/research.html>). Papers completed in the Bank were presented at internal workshops where other departments had an opportunity to comment on their findings. Some work was also presented at external workshops and conferences.

Currency Production and Issue

Introduction

The main task of the Currency Function is to provide the public with banknotes and coin of satisfactory quality and quantity and in denominations which best suit their needs. The Function is also responsible for the receipt, processing and re-issue of banknotes, as well as the destruction of banknotes deemed unfit for re-issue.

Preparations continued for the introduction of euro banknotes and coin on 1 January 2002. In support of this preparation work, an extensive capital re-equipment programme proceeded as scheduled during the year.

Notes and Coin

The principal currency operations in 1998 were the printing, issue, receipt, processing and reissue of banknotes, the production and issue of coin and participation in the preparatory work for the introduction of euro banknotes and coin.

Banknote production

Output was 136.2 million notes in 1998 compared to 128.8 million in 1997, an increase of 5.7 per cent. A comparison of banknote production by denomination in 1997 and 1998 is given in Table 6.

Production

Table 6: Number of Notes Produced						
Million	£5	£10	£20	£50	£100	Total
1997	36.3	36.6	51.3	–	4.6	128.8
1998	33.9	52.2	50.2	–	–	136.2

Banknote Issues and Redemptions

Due to the continued increase in the number and use of Automated Teller Machines (ATMs), the demand for banknotes of suitable quality increased again in 1998. In 1998, issues of new and reissuable banknotes amounted to 280.5 million, an increase of 27.5 million, or 10.9 per cent. on 1997.

Note issues

Lodgements of banknotes in 1998 at 264.8 million represented an increase of 26.4 million or 11.1 per cent. over 1997.

During 1998, soiled banknotes authenticated and sorted by machine amounted to 235.6 million; about half of these were classified as suitable for reissue to the banks. Charges designed to encourage banks to reduce the number of discrepancies in lodgements to the

Bank were further increased in 1998. It is planned to review the situation again in 1999.

Denomination	Number of Notes		Value of Notes	
	Million	% of Total	£ Million	% of Total
10/-	1.2	0.7	0.6	—
£1	13.6	8.2	13.6	0.5
£5	21.6	12.9	107.9	3.8
£10	25.1	15.0	250.7	8.9
£20	95.5	57.2	1,910.2	67.8
£50	9.1	5.4	453.8	16.1
£100	0.8	0.5	79.1	2.8
Total	166.9	100.0	2,816.0	100.0

Circulation

Banknote Circulation

The total number of banknotes in circulation increased by 10.8 per cent. from 150.6 to 166.9 million during 1998. In terms of value the note circulation increased by £399.6 million or 16.5 per cent. to £2,816.0 million in the same period. The £20 denomination accounted for 57.2 per cent. in number and 67.8 per cent. in value of the note circulation at end-1998. The circulation of the £50 banknote rose by 49 per cent from £303.7 to £453.8 million in 1998. This increase is mainly due to the introduction of the £50 note into ATMs. Table 7 gives a breakdown by number and value of the different denominations of notes at end-year.

Counterfeits

The number of counterfeit banknotes detected per million notes issued decreased in 1998. The number and percentage of counterfeits continues to be small. In 1998, the Bank continued its liaison with the Garda Bureau of Fraud Investigation.

Coin Production

During 1998, 174.7 million coins were produced – an increase of 3.1 per cent. over 1997. A third high speed coin press was installed and commissioned at the end of 1998.

A comparison of 1997 and 1998 output is shown in Table 8:

Million	1p	2p	5p	10p	20p	50p	£1	Total
1997	62.7	18.1	45.9	17.2	17.4	8.3	—	169.5
1998	67.0	26.5	51.6	10.0	15.0	—	4.6	174.7

Coin Issues and Circulation

The Bank issued 184.6 million coins in 1998, an increase of 3 million or 1.6 per cent. over the previous year. Of the total number of coins issued in 1998, the 1p and 5p coins accounted for 34.8 per cent. and 25.2 per cent. respectively. *Coin*

The value of coin in circulation increased by £20.7 million or 10.3 per cent. to £222.9 million in 1998. The 1p and 2p coins accounted for 60.4 per cent. in number, but 7.9 per cent. in value, of coin circulation at end-1998. At the end of the year there were 580 coins issued per head of population. A breakdown of the number and value of the different denominations of coins in circulation at end-1998 is given in Table 9:

Denomination	Number		Value	
	Million	% of Total	£ Million	% of Total
1p	816.3	38.2	8.2	3.7
2p	472.0	22.1	9.4	4.2
5p	331.1	15.5	16.6	7.4
10p	188.7	8.8	18.9	8.5
20p	151.4	7.1	30.3	13.6
50p	70.8	3.3	35.4	15.9
£1	104.2	4.9	104.2	46.7
Total	2,134.4	100.0	222.9	100.0

Euro Coins And Banknotes

In 1998 procedures and administrative arrangements for the exchange of "Article 52" banknotes were established. *Euro arrangements*

Article 52 of the Protocol on the statute of the European System of Central Banks and of the European Central Bank in the Treaty on European Union states:

"Following the irrevocable fixing of exchange rates, the Governing Council shall take the necessary measures to ensure that banknotes denominated in currencies with irrevocably fixed exchange rates are exchanged by the national central banks at their respective par values".

The Bank established a facility in its offices in Dame Street to exchange without charge other euro-area national banknotes for Irish banknotes at the irrevocably fixed exchange rates. These exchanges are limited to a maximum of €1,000 in value.

In 1998, in parallel with other European printworks, production trials of euro banknotes were undertaken. The purpose of the trials was to ensure the quality and compatibility of euro banknotes produced by different printworks. The trials were successful.

Management and Support Services

The Bank records with deep regret the death on 6 September 1998 of Garrett Murphy, Assistant Director General and Member of the Management Board, and the death on 28 January 1999 of Alec Tighe, Assistant Print Supervisor.

Human Resource developments

Human Resources

Human Resources encompasses the wider range of flexible working arrangements in the Bank such as job-sharing, part-time work, career break, special leave and short-term contracts.

Staff numbers continue to reflect the Bank's practice of providing services such as catering, cleaning, maintenance and security, on an in-house basis but some services are sourced externally.

Staff numbers increased over the end-1997 level by 18 to 638 at end-December 1998. This increase primarily reflects the continued expansion of the Bank's supervisory responsibilities and the effects of operations necessitated by membership of the ESCB. The majority of Bank staff are permanent full-time employees. Of the total staff at end 1998, 419 were banking and professional officials and 219 industrial, craft and service staff; 14 staff were on secondment to the ECB. The Bank was represented during the year at the meetings of EU central banks' heads of personnel and training.

Table 10: Staff Serving at End-Year*

	1997	1998
Governor and Management Board	8	8
Financial Control and Settlements	72	77
Financial Markets	33	27.5
European Monetary Affairs and International Relations	12	12
Human Resources and Planning	29	27
Information Systems	31	36
Corporate Services	139.5	136
Currency Issue	82.5	84.5
Currency Production	65.5	62.5
Economic Analysis, Research and Publications	20	20.5
Monetary Policy and Statistics	22.5	20
Banking Supervision	22.5	29.5
Securities and Exchanges Supervision	74	88
Internal Audit	9	10
Total	620.5	638.5
Of which:		
Banking and Professional Officials	402.5	419
Industrial, Craft and Service Staff	218	219.5

*Full time equivalents

Staff Training and Development

Under the Bank's Academic and Professional Training Scheme, 13 staff successfully completed professional or university degree courses by attendance at evening lectures and by home study. A further 14 were successful in various stages of the Institute of Bankers in Ireland examinations. This programme will continue to cover a wide range of courses for university degrees and qualifications of professional bodies. During the year a combination of internal and external courses in management, interpersonal, technical and language skills, provided staff with more than 909 days of training, i.e., on average approximately 1½ days per person. This was lower than the 1997 average due to preparations for EMU.

Training

Bank staff attended central banking courses abroad and participated in the joint training programme with the central banks of Belgium, Denmark and the Netherlands.

Remuneration Policies

The Bank employs a wide range of professional, administrative, executive, clerical, technical and semi-skilled staff. The remuneration policy for staff is on the basis of appropriate comparators in the Civil Service or by reference to relevant industry norms. The Bank applies the terms of national pay agreements to all categories of staff.

Remuneration Policies

Equal Employment Opportunities

The Bank is an equal opportunities employer, and recruitment and employment policies are administered on this basis. Training programmes, academic training facilities, promotion competitions, job-sharing and career break schemes are all available to female and male staff serving in grades to which the schemes are applicable.

Safety, Health and Welfare at Work Act, 1989

The Bank is conscious of its obligations under the Safety, Health and Welfare at Work Act, 1989 and continues to promote a safe and healthy working environment.

Technical Assistance

During the year, staff participated in IMF technical assistance or training programmes for central banks in Malta, Russia, Surinam and Swaziland. In addition, the Bank hosted study and information visits by officials from the central banks of Belgium, Denmark, Estonia, Finland, Italy, Poland, Switzerland, U.K., the Bahrain Monetary Authority, the Ministry of Finance of the Peoples Republic of China and the Savings Bank of Albania.

Information Systems

Preparations for the changeover of the Bank's systems to meet the requirements of EMU was the primary focus of the Bank's Information Systems Department. The work culminated in the successful converting of all main records and systems into euro.

Information Systems developments

The Bank participated in the establishment of the ESCB communications infrastructure, a Wide Area Network linking the ECB and NCBs, and in the implementation of applications to support statistics, monetary policy, foreign exchange and reserve management operations on the network. These projects were completed in mid-1998 and were simulated for the remainder of the year before going into operation on 4 January 1999. The Bank's internal systems were amended and upgraded for EMU. The accounting systems were amended to implement further harmonisation of accounting techniques and practices with other EU NCBs. The Accounting, Markets, Settlements and Statistics systems were converted to euro and a Back Office system for ECB reserves was implemented. A Bank Web Site was established and was launched in December – **www.centralbank.ie**.

Year 2000 Preparations

Year 2000

The Bank continued its Year 2000 compliance preparatory work and is committed to ensuring that all its operations will continue to function smoothly over the date change period and into the new millennium. The Bank's core IBM hardware and software were upgraded to Year 2000 compliant versions in 1997. During 1998, third party software products, which comprise significant components of the system infrastructure, were upgraded. Year 2000 amendments to applications developed in the Bank are now almost complete and these will be tested and implemented by mid-1999. Work on replacing the Bank's Personnel/Payroll system with a Year 2000 version which commenced in April is on schedule for completion in September 1999. The SWIFT terminal system and Reuters Network were replaced by Year 2000 compliant systems and work on other network systems is ongoing. The bulk of the work to achieve Year 2000 compliance of ESCB systems is being carried out by the ECB and the Bank participates as required.

Media and External Communications

Press Office

The Bank's Press Office provided an ongoing information service to both the domestic and international media on issues such as the Bank's main operational activities, EMU and other related matters. There was considerable foreign media interest in the Bank, reflecting Ireland's participation in EMU and the recent developments in the Irish economy. In addition, the Bank, as part of its participation in the ECB's External Communications Committee, co-ordinated and managed media relations on a domestic basis for the ECB and the ESCB.

As part of its policy to increase public awareness of its activities, the Bank was involved in various educational and other external information initiatives. This included the hosting of visits to the Bank from Irish and foreign groups and the provision of briefings by senior personnel. Talks and papers were presented by Bank staff at a number of conferences and seminars during the year.

The Bank continued its participation in the Dublin Schools-Business Partnership, which seeks to motivate and assist young people to further

their education and development. The Bank also provided an ongoing information service for primary, secondary and third-level schools and colleges and hosted a number of school visits.

Publications and Library

Financial statistics, monetary policy and other economic information were published by the Bank and circulated to the financial, business, public administration and political communities as well as to universities, research centres and international institutions. The Bank's publications in 1998 included the Annual Report, Quarterly Bulletins and Monthly Statistics. A list of articles and Research papers published in the Bank in recent years is available at the end of this Report.

The Bank's library provided a professional and technical information service for the management and staff of the Bank during the year. An extensive range of material on monetary matters, financial and capital markets and banking and other financial services was available to all employees for research and analysis, education, training and management purposes.

Internal Audit

The Bank's Internal Audit work programme for 1998 covered most major areas of activity with particular emphasis on computerised systems including reviews of the Bank's Year 2000 compliance preparations and of the SWIFT payment system. Other audits covered the Bank's vault and treasury stocks and foreign settlement operations and a review of the Banking Supervision function. This programme was derived from the Internal Audit Strategic Plan for 1997-99.

Internal Audit matters

The Internal Audit Department, which is an independent appraisal function that examines and reports on the adequacy of internal controls throughout the Bank, formally reported to the Audit Committee of the Board on two occasions in 1998 giving an assessment of how effectively its objectives were being met.

The department's Work Programme has been subject to ongoing review and modification due to developments relating to the establishment of the European System of Central Banks (ESCB). During 1998, in conjunction with internal audit functions in other System central banks, the department investigated security and control, cost and timing aspects of the TARGET payments system. Four other joint audits of ESCB information support systems were completed during the year in the same context. The department is represented on the Internal Auditors Committee (IAC) of the ECB and participates in several Audit Task Forces or sub-committees of the IAC. These deal with the areas of specialised information systems, payment and securities systems, accounting, monetary and market operations, statistics and banknotes. The co-ordinated approach to the audit of ESCB systems will be developed further in 1999.

A new strategic audit plan for the next period will be prepared during 1999 and will provide an opportunity for a fundamental review of the internal audit function going forward.

This is given under the seal of the Central Bank of Ireland.

The 24th day of May, 1999.

Maurice O'Connell, Governor

Liam Barron, Secretary

Financial Operations

Accounting Practices

Over the past number of years an ESCB-wide project has been undertaken to harmonise the accounting framework to be adopted by the ESCB to ensure consistency in the collection and preparation of data by the NCBs, as required under Article 26.4 of the Statute of the ESCB. For the Bank's part, this necessitated the adaptation of its accounting system and the introduction of new accounting practices, particularly in relation to income recognition. These changes came into effect from 1 January 1999 and required extensive preparation. In addition, a high level of resources was devoted to preparations and testing for conversion to the euro of all the Bank's accounts as at 1 January 1999.

In the course of its preparations for EMU, the Bank replaced the First In First Out (FIFO) principle which it applied to the calculation of realised price gain or loss on sale/maturity of individual securities with the Average Cost principle.

Furthermore, whereas prior to EMU, the Bank transferred all realised and unrealised gains and losses on foreign currency transactions to its accounting reserves, from 1 January 1999, the following rules apply:

- (i) realised gains and losses are taken to the profit and loss account;
- (ii) unrealised gains are not recognised as income, but transferred directly to a revaluation account;
- (iii) unrealised losses are taken to the profit and loss account to the extent that they exceed the accumulated credit balance (from previous unrealised gains) in the corresponding revaluation account;
- (iv) unrealised losses taken to the profit and loss account shall not be reversed in subsequent years against new unrealised gains.

The Bank is also obliged to comply with extensive reporting requirements to the ECB, comprising both statistical and financial data. These include the transmission of a daily balance sheet, representing the Bank's position at close of business on the previous day, to the ECB by 0700 hours, Irish time, necessitating the introduction of shift working in the relevant section.

The Bank's systems were adapted to ensure that the above policies could be implemented with effect from the commencement of EMU. However, in preparing its annual financial statement for the year ended

31 December 1998, the last such statement in Irish pounds, the Bank followed its approach of previous years.

Accounting Policies

The Bank follows generally accepted accounting principles, adapted to suit the nature of central banking activity and the statutory provisions which apply to the Bank, in preparing its annual financial statement. This approach is more precisely defined in the Statement of Accounts. Full details of these accounting policies are provided in the Statement of Accounts on page 59.

The Bank's accounts are audited by the Comptroller and Auditor General. His report on the Statement of Accounts is shown on page 71. For the year ended 31 December 1999, in accordance with Article 27 of the Statute of the ESCB, the Bank's accounts will also be audited by an independent external auditor. PriceWaterhouseCoopers has been appointed as the Bank's independent external auditor.

The Bank continued to participate in the ECB's Working Group on Accounting Issues in 1998. Throughout the year work continued on the development of accounting issues and the harmonisation of accounting principles required under EMU.

Financial Results

Profit for 1998 was £177.0 million, an increase of £61.6 million over the 1997 figure. Income rose by £44.7 million while interest costs decreased by £20.6 million resulting in an increase in income less interest costs of £65.3 million or 46.8 per cent.

The increase in income of £44.7 million comprises an increase in income on foreign investments of £18.0 million and an increase of £26.8 million in domestic income. The increase in foreign investment income reflects realised gains on fixed interest securities (£38.6 million), increased coupon income (£6.8 million) offset by a decrease in deposit interest earned (£27.5 million). The increase in domestic income arises mainly from an increase in advances in the domestic money market (£29.3 million).

Interest costs decreased by £20.6 million mainly as a result of lower rates of interest paid on Government Deposits. Table 11 provides a detailed analysis of sources of income and costs for 1997 and 1998.

Total operating costs, that is pay, non-pay and depreciation, charged against profit increased by £3.7 million or 15.3 per cent in 1998. Pay costs increased by £2.2 million (14.0 per cent) while other operating costs increased by £1.5 million (17.4 per cent). A detailed analysis of the Bank's operating costs is given in note 3, page 63 of the Statement of Accounts.

Table 11: Profit and Loss Account Components*

	1998	1997	Change	Change
	£m	£m	£m	%
Foreign Investment Income	265.3	247.3	18.0	7.3
<i>Of which :</i>				
– Interest on deposits	98.3	127.4	–29.1	–22.8
– Coupons on Marketable Securities	99.7	92.9	6.8	7.3
– Gains/Losses on Marketable Securities	35.3	–3.4	38.7	..
– Repurchase Agreements	30.5	29.3	1.2	4.3
– Other	1.5	1.1	0.4	36.4
Domestic Investment Income	76.9	50.1	26.8	53.5
<i>Of which:</i>				
– Interest	76.6	48.3	28.3	58.6
– Other	0.3	1.8	–1.5	–85.8
Total Investment Income	342.2	297.4	44.8	15.1
Miscellaneous Income	1.2	1.3	–0.1	–9.0
Total Income	343.4	298.7	44.7	15.0
Interest on Government Deposits	79.4	97.0	–17.6	–18.2
Interest on Credit Institutions' Deposits	59.1	62.1	–3.0	4.9
Total Interest Costs	138.5	159.1	–20.6	–13.0
Total Income less Total Interest Costs	204.9	139.6	65.3	46.8
Pay Costs	17.5	15.4	2.1	14.0
Non-Pay Costs	8.1	7.4	0.7	8.3
Administrative Costs	25.6	22.8	2.8	12.2
Depreciation	2.3	1.4	0.9	66.9
Operating Costs	27.9	24.2	3.7	15.3
<i>of which</i> Dame Street	17.9	15.8	2.1	13.1
Sandyford	10.0	8.4	1.6	19.0
Profit (income less interest and operating costs)	177.0	115.4	61.6	53.4

*Percentage changes are based on full figures.

Charts 6 and 7 show the development of profit (after depreciation) and its components since 1994. Profit for 1998 rose sharply on 1996 and 1997 levels due to the following: a higher rate of return on foreign assets; increased average levels of Money Market Repos; and lower domestic interest rates. The increase of £61.6 million in profit between 1997 and 1998 is analysed in Table 11.

Chart 6: Profit (1994-1998)

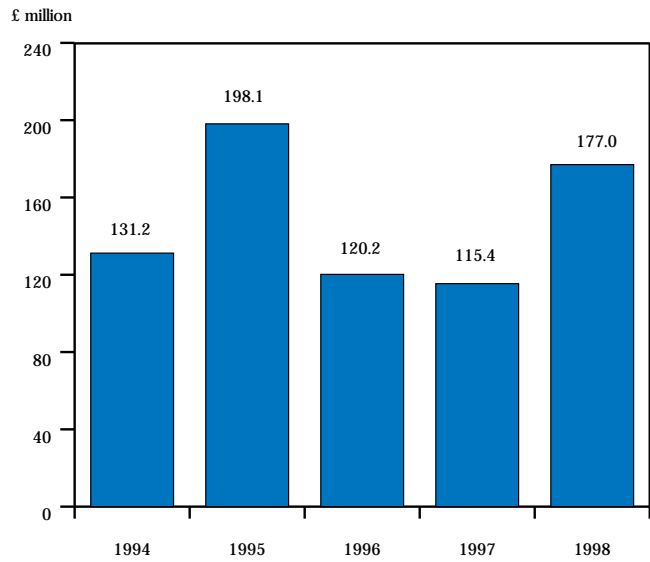
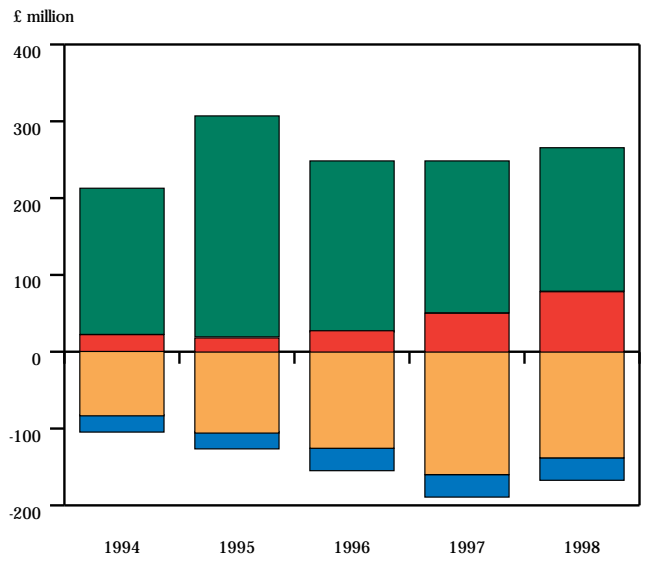
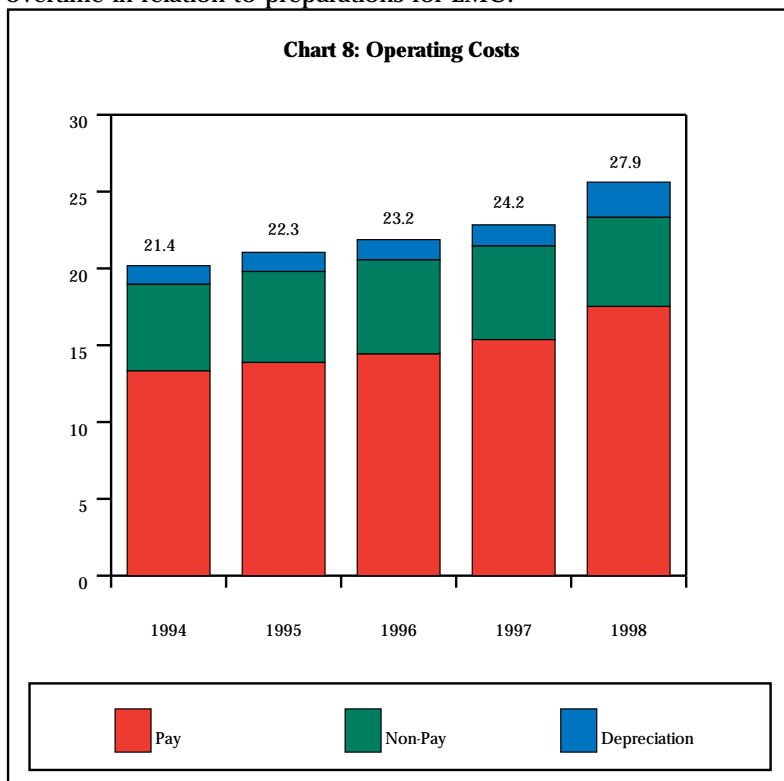


Chart 7: Income/Interest and Operating Costs



■ Domestic Income ■ Foreign Income ■ Interest Expenses ■ Operating Costs

Over the period 1994-1998 total operating costs (excluding coin costs) increased on average by 5.9 per cent. per annum with non-pay costs, including depreciation, increasing on average by 4.9 per cent. per annum, and pay costs by 6.5 per cent. per annum. The increase in pay costs is due in part to the increase in staff numbers and increased overtime in relation to preparations for EMU.

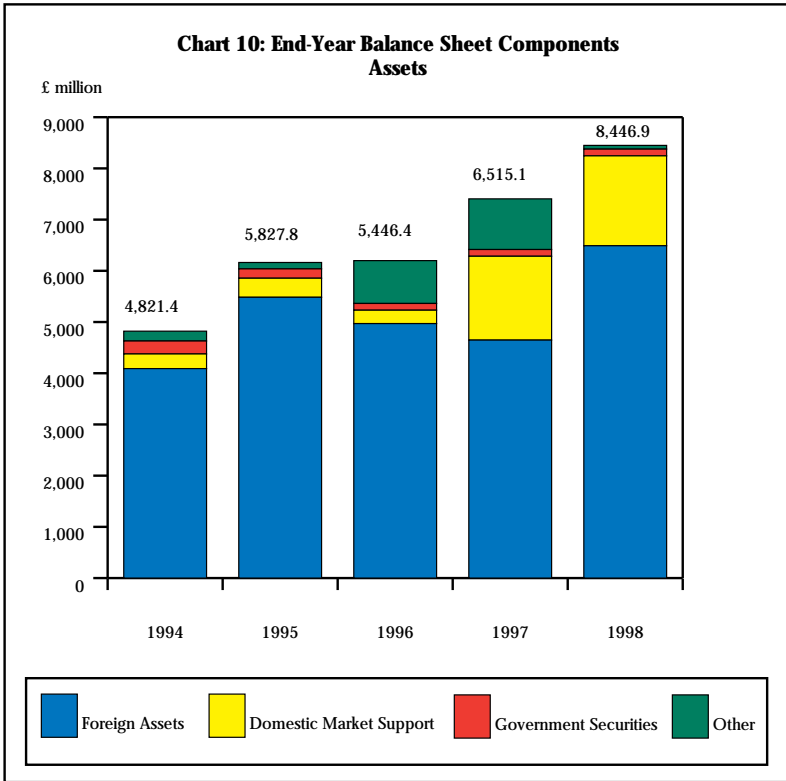
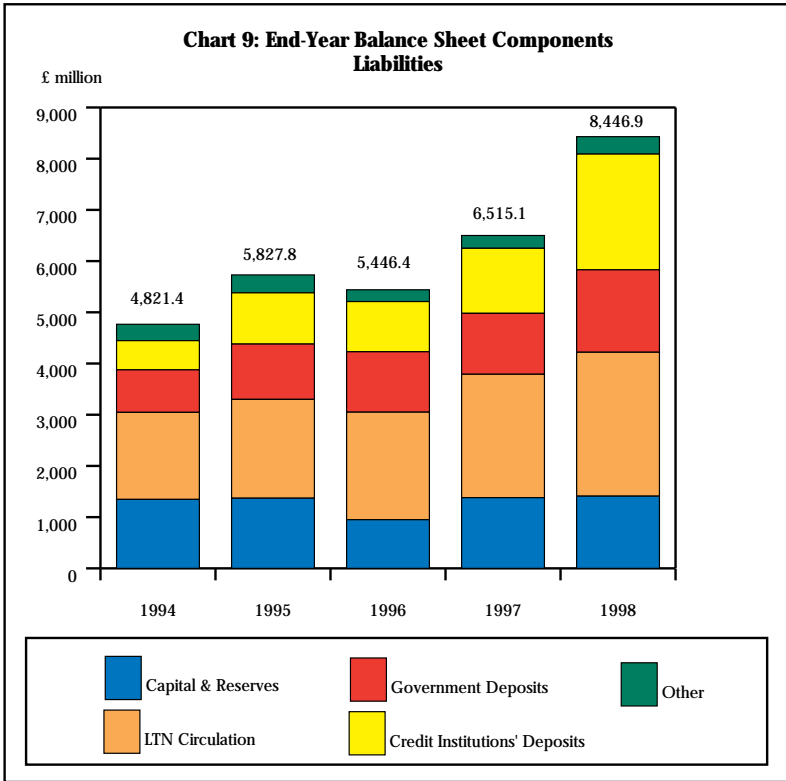


Balance Sheet Developments

The total value of the balance sheet increased by £1,931.8 million in 1998. Capital and Reserves increased by £28.9 million mainly as a result of appropriations from profits of £22.4 million to the General Reserve and £2.3 million to the Superannuation Reserve, transfers to the Currency Reserve of £16.5 million arising from the issue of coin, offset by a write down of £12.6 million due to revaluations.

There was an increase of £986.6 million in Credit Institutions' Deposits largely comprising increased Primary Liquidity deposits (£1,296.5 million) partly offset by decreased fixed deposits (£365.0 million). Other domestic liabilities fell by £62.5 million due mainly to a decrease of £55.2 million in the AIB/ICAROM 1992 Agreement back-to-back deposit (see Notes 14 and 15 of the Statement of Accounts). Legal Tender Notes in circulation increased by £399.6 million and Government Deposits by £423.9 million.

On the assets side, foreign assets increased by £1,842.6 million mainly due to increased EU receipts and swaps outstanding at year end. These were partly offset by repayment of capital and interest on Government external debt. Domestic assets increased by £89.2 million mainly due to increased money market support of £117.9 million, an increase of £18.6 million in cheques in the course of clearing and an increase in fixed assets of £10.7 million reflecting purchases of printing equipment.



**STATEMENT OF ACCOUNTS
OF THE CENTRAL BANK FOR
YEAR ENDED 31 DECEMBER 1998**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The main statutory provisions relating to the role and duties of the Directors are covered in Sections 5, 5A and 6 of the Central Bank Act, 1942, as amended by Section 14 of the Central Bank Act, 1989 and Sections 3, 4 and 5 of the Central Bank Act, 1998. Moreover, under Section 19 of the Central Bank Act, 1989, the Bank is responsible for the maintenance of proper accounting records. This responsibility also extends to the preparation and presentation to the Comptroller and Auditor General of a Statement of Accounts within 6 months of the end of each financial year.

The Board has overall responsibility for the system of internal financial control in the Bank and has established an organisational structure appropriate to discharging this responsibility. In this regard, the Audit Committee of the Board meets periodically with the Internal and External Auditors and members of the Management of the Bank to discuss control issues, financial reporting and related matters. The Internal and External Auditors have full access to the Audit Committee.

The Board is satisfied that generally accepted accounting principles and standards, adapted to suit the nature of central banking activity and the statutory provisions which apply to the Bank, have been applied.

Maurice O'Connell, Governor

David Begg, Director

29 April 1999

ACCOUNTING POLICIES

(a) Form of Presentation of Accounts

In preparing the accounts, the Bank has a policy of following generally accepted accounting principles adapted to suit the nature of central banking activity and the statutory provisions which apply to the Bank.

The accounts have been prepared on the historical cost basis of accounting, modified to include a valuation, determined by the Board, of marketable securities, unmatured contracts and gold and all assets and liabilities denominated in foreign currency (see (e) and (f) below).

The form of the accounts was approved by the Minister for Finance under the Central Bank Act, 1989, Section 19(1).

(b) Depreciation of Fixed Assets

All fixed assets are depreciated on a straight line basis over their anticipated useful lives. Premises (excluding site costs) are depreciated over fifty years. The lives of plant and machinery range between five and fifteen years while all other categories of fixed assets are depreciated over five years.

(c) Superannuation

Under the Bank's superannuation scheme permanent Bank staff obtain the same superannuation benefits as established civil servants. The Bank pays these benefits out of current income as they fall due.

The equivalent of 15 per cent of salaries and wages is appropriated from profit to the Superannuation Reserve of the Bank under the Central Bank of Ireland (Surplus Income) Regulations, 1943 (Notes 4, 22).

(d) Coin Issue

Receipts and costs relating to the provision and issue of coin are transferred directly to the Currency Reserve under the provisions of the Coinage and Decimal Currency Acts.

(e) Valuation Policy

Gold is valued at the closing market price and marketable securities at mid-market closing prices of 31 December. Assets and liabilities denominated in foreign currency and unmatured investment and foreign currency contracts outstanding are valued at mid-market closing exchange rates of 31 December.

(f) Currency Translation and Currency Gains and Losses

Foreign currency income and expenditure are translated at exchange rates prevailing at the date of transaction.

All gains and losses, whether realised or unrealised, arising from foreign exchange fluctuations are transferred to Reserves.

(g) Capital Gains and Losses

All capital gains and losses on gold, whether realised or unrealised, are transferred to Reserves.

All realised capital gains and losses on the sale of marketable securities are accounted for through the profit and loss account. Discounts or premiums on marketable securities are amortised on a straight line basis over the period to their maturity and accounted for through the profit and loss account. Unrealised capital gains and losses at year end are reflected in Reserves.

**PROFIT AND LOSS AND APPROPRIATION ACCOUNT FOR YEAR ENDED
31 DECEMBER 1998**

	1998		Note	1997	
	£000	£000		£000	£000
Income		343,386	1		298,696
Less					
Interest on Deposits		<u>138,458</u>	2		<u>159,117</u>
Net Income before Operating Costs		204,928			139,579
Less					
Pay	17,524		3	15,368	
Non-Pay Costs	8,089		3	7,468	
Depreciation	<u>2,293</u>	<u>27,906</u>	3,18	<u>1,374</u>	<u>24,210</u>
Net Profit		177,022			115,369
Less Transfers to Reserves		<u>24,671</u>	4		<u>16,611</u>
Surplus Income Payable to the Exchequer		<u>152,351</u>	9		<u>98,758</u>

The Statement of Accounting Policies and Notes 1 to 23 form part of the accounts.

Banc Ceannais na hÉireann

Maurice O'Connell, Governor

29 April 1999

William A. Barron, Deputy Director General

BALANCE SHEET AS AT 31 DECEMBER 1998

	1998		Note	1997	
	£000	£000		£000	£000
LIABILITIES					
Capital and Reserves		1,413,882	4		1,385,021
Legal Tender Notes		2,815,997			2,416,381
Foreign					
Allocation of Special Drawing Rights in the International Monetary Fund	82,777		5	82,316	
Other	115,910	198,687	6	14,644	96,960
Domestic					
Government Deposits	1,616,927			1,192,978	
Credit Institutions' Deposits	2,257,755		7	1,271,147	
Other Deposits	137	3,874,819	8	209	2,464,334
Surplus Income Payable to the Exchequer	152,351			98,758	
Less Payment on Account	32,000	120,351	9	32,000	66,758
Other		23,147	6		85,633
		<u>8,446,883</u>			<u>6,515,087</u>
ASSETS					
Foreign					
Gold	87,583		10	71,130	
Reserve Position in International Monetary Fund	392,296		5	237,841	
Special Drawing Rights in International Monetary Fund	130,092		5	116,100	
Official ECU	—		11	573,344	
Deposits and Securities	5,794,689		12	3,599,409	
Contribution to ECB Capital	33,456		13	3,801	
Other	51,701	6,489,817	14	45,622	4,647,247
Domestic					
Securities	131,693		15	131,693	
Advances	1,755,100	1,886,793	16	1,637,250	1,768,943
Cheques in the Course of Clearing		22,444	17		3,876
Fixed Assets		34,903	18		24,175
Other		12,926	14		70,846
		<u>8,446,883</u>			<u>6,515,087</u>

The Statement of Accounting Policies and Notes 1 to 23 form part of the accounts.

Banc Ceannais na hÉireann

Maurice O'Connell, Governor

29 April 1999

William A. Barron, Deputy Director General

Note 1 Income

	Foreign		Domestic		Total	
	1998 £000	1997 £000	1998 £000	1997 £000	1998 £000	1997 £000
Deposit Income	98,333	127,422	76,649	48,342	174,982	175,764
Coupons on Securities	99,671	92,858	—	—	99,671	92,858
Realised and Amortised Gains/Losses on Securities	35,282	(3,276)	—	—	35,282	(3,276)
Repurchase Agreements	30,508	29,258	—	—	30,508	29,258
Other	1,548	(i) 1,063	1,395	3,029	2,943	4,092
Total Income	265,342	247,325	78,044	51,371	343,386	298,696

(i) Includes dividend of £1.1 million (£1.0 million) received on shares in the Bank for International Settlements.

Note 2 Interest on Deposits

	1998 £000	1997 £000
Government	79,290	96,927
Credit Institutions	58,982	62,123
Other	186	67
Total Interest	138,458	159,117

Note 3 Operating Costs

£000	Dame Street		Currency Centre (Excl. Coin)*		Total (Excl. Coin)*		Coin*		Total*	
	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997
Pay	11,334	9,828	4,296	3,984	15,630	13,812	289	289	15,919	14,101
Pensions	1,245	928	649	628	1,894	1,556	24	9	1,918	1,565
Total Pay	12,579	10,756	4,945	4,612	17,524	15,368	313	298	17,837	15,666
Training, Recruitment & Other Staff Costs	684	607	172	147	856	754	3	3	859	757
Maintenance of Premises	447	409	488	443	935	852	1	1	936	853
Energy	250	252	250	228	500	480	–	–	500	480
Rates	286	277	220	215	506	492	–	–	506	492
Equipment, Stationery and Requisites	773	757	47	59	820	816	1	3	821	819
Post and Telecommunications	298	319	67	61	365	380	–	–	365	380
Investment Services and Bank Charges	553	560	3	–	556	560	–	–	556	560
Business Travel	610	571	125	106	735	677	12	8	747	685
Publishing & Media Relations	144	131	24	–	168	131	1	–	169	131
Professional Fees	457	351	19	26	476	377	4	12	480	389
Works Machine Maintenance	–	–	276	164	276	164	22	29	298	193
Miscellaneous	147	130	19	3	166	133	–	1	166	134
Non-Pay (Excl. Materials)	4,649	4,364	1,710	1,452	6,359	5,816	44	57	6,403	5,873
Materials	–	–	1,730	1,652	1,730	1,652	3,583	3,422	5,313	5,074
Non-Pay Costs	4,649	4,364	3,440	3,104	8,089	7,468	3,627	3,479	11,716	10,947
Depreciation	720	649	1,573	725	2,293	1,374	142	130	2,435	1,504
Total Operating Costs	17,948	15,769	9,958	8,441	27,906	24,210	4,082	3,907	31,988	28,117

*Expenses relating to the provision and issue of coin are charged directly to the Currency Reserve under the provisions of the Coinage and Decimal Currency Acts and not to the Profit and Loss Account (Accounting Policy (d), Note 4(v)).

Note 4 Capital and Reserves

	1998		1997	
	£000	£000	£000	£000
(a) Capital (i)		24		24
(b) Reserves				
General Reserve				
Opening Balance	911,337		492,486	
Valuations (ii)	(12,550)		404,259	
Transfer from Profits (iii)	22,414	921,201	14,592	911,337
Currency Reserve (iv)				
Opening Balance	443,053		425,646	
Net Proceeds of Coin Issue (v)	16,544		17,450	
Transfer to Superannuation Reserve (vi)	(43)	459,554	(43)	443,053
Superannuation Reserve (Note 22)				
Opening Balance	30,607		28,366	
Transfer from Profits (iii)	2,257		2,019	
Transfer from Currency Reserve (vi)	43		43	
Pension Contributions (vi)	196	33,103	179	30,607
Total Capital & Reserves		1,413,882		1,385,021

- (i) The authorised capital of the Bank is fixed under Section 9(1) of the Central Bank Act, 1942, at £40,000. Issued and paid up capital is £24,000, all of which is held by the Minister for Finance. The balance is payable as agreed by the Board and the Minister.
- (ii) The Bank's assets and liabilities were valued at end-year as set out in Accounting Policies on page 59 of this Statement. The following is the breakdown of the change in the General Reserve as a result of valuations.

	1998 £000	1997 £000
Gold (Note 10)	(4,052)	(6,922)
Shares in Bank for International Settlements (Notes 14,21)	(262)	1,078
Foreign Investment Assets	(6,565)	387,856
<i>Of which:</i>		
–Unrealised Price Gains/Losses on Marketable Securities	9,375	(2,617)
–Exchange Rate Gains/Losses	(15,940)	390,473
ECB Participation (Note 13)	(131)	131
Assets in the International Monetary Fund	(2,075)	30,320
Liabilities to the International Monetary Fund	(461)	(7,675)
ECU and other Foreign Currency Liabilities	(21)	(40)
Unmatured Investment and Foreign Exchange Contracts	1,017	(489)
Total	(12,550)	404,259

- (iii) Under Central Bank of Ireland (Surplus Income) Regulations, 1943, the Board approved a transfer to the General Reserve of £22.4 million (£14.6 million) and a transfer of £2.3 million (£2.0 million) to the Superannuation Reserve.

(iv) Under Section 36 (3)(c) of the Central Bank Act, 1942, the Bank is obliged to redeem Consolidated Bank Notes presented to it. The liability to redeem these notes represents a claim on the Currency Reserve. No notes were redeemed in 1998 and £105,250 remained outstanding at 31 December 1998.

(v)	1998 £000	1997 £000
Proceeds		
Net Coin Issues	20,545	21,084
Specimen ECU and Other Coin	18	16
Melted Coin	45	257
Other	20	—
Less Operating Costs		
Pay	313	298
Materials	3,583	3,422
Other Operating Costs	188	187
Net Proceeds	<u>16,544</u>	<u>17,450</u>

Under the provisions of the Coinage and Decimal Currency Acts, net proceeds of coin issue are transferred directly to the Currency Reserve (Accounting Policy (d), Note 3).

(vi) A transfer of £43,000 (£43,000), representing 15 per cent of salaries and wages of staff involved in the provision and issue of coin was made from the Currency Reserve to the Superannuation Reserve.

Pension contributions were transferred to the Superannuation Reserve during the year as follows:

	1998 £000	1997 £000
Contributions by staff to the Spouses' and Children's Pension Scheme	149	146
Purchase of pension rights	6	5
Pension contributions by staff recruited after April 1995	41	28
Total	<u>196</u>	<u>179</u>

Note 5 International Monetary Fund (IMF)

SDR Allocation : This is the liability of the Bank to the IMF in respect of the allocation of SDRs to Ireland in the early 1970s and in the early 1980s. In addition to SDRs allocated, the Bank's SDR assets can change as a result of IMF lending operations or exchanges of SDRs for foreign currency with the IMF itself, IMF members and other official holders of SDRs. SDR holdings may also change as a result of interest payments made by the IMF on the Bank's Reserve Position in the IMF and on the Bank's SDR holdings net of SDR allocations.

Reserve Position in IMF: This asset represents the difference between Ireland's Quota in the IMF and IMF Holdings of Irish pounds. Ireland's Quota is its membership subscription, twenty five per cent of which was paid for in foreign currencies and the balance in Irish pounds. The holdings of Irish pounds by the IMF, which initially were equal to seventy five per cent of the Quota, have changed from time to time as a result of the use of Irish pounds by the IMF in its lendings to member countries.

	1998 £000	1997 £000
Quota	497,860	489,109
Less IMF Holdings of Irish Pounds	105,564	251,268
Reserve Position in IMF	392,296	237,841

Special Drawing Rights (SDRs) : The SDR is an international reserve asset which was created by the IMF and allocated to member countries in the early 1970s and in the early 1980s in order to increase international liquidity. The SDR is defined in terms of a basket of currencies. Its value is determined as the weighted sum of exchange rates of the five major currencies (US dollar, Deutschemark, French franc, Sterling and Japanese yen).

Note 6 Other Liabilities

	1998 £000	1997 £000
Other Foreign Liabilities		
Central Banks	101,357	4,402
International Financial Institutions	1,039	3,096
EU Agencies	12,480	6,429
Other	1,034	717
Total	115,910	14,644

Other Domestic Liabilities includes £17.6 million (£26.6 million) in respect of accrued interest on deposits placed with the Central Bank.

Note 7 Credit Institutions' Deposits

	1998 £000	1997 £000
Primary Liquidity Deposits	2,044,575	748,031
Deposit Protection Account	85,590	85,688
Settlement Accounts	57,590	2,428
Special Deposit (Note 15)	70,000	70,000
Fixed Deposits	—	365,000
Total	2,257,755	1,271,147

Note 8 Other Deposits

Under the provisions of the Bankruptcy Act, 1988 and the rules of the Superior Courts, the Official Assignee in Bankruptcy maintains various accounts at the Bank.

Note 9 Surplus Income

Surplus Income of £152.4 million (£98.8 million) was payable to the Exchequer in respect of the profit earned by the Bank in the year ended 31 December 1998.

A payment on account of £32.0 million (£32.0 million) of Surplus Income was made during 1998 leaving a balance of £120.4 million (£66.8 million). These arrangements are in accordance with Section 23(4) of the Central Bank Act, 1989, which provides that the Bank may at any time pay into the Exchequer such sums on account of Surplus Income as may be agreed upon by the Minister for Finance and the Bank.

Under Section 21 of the Central Bank Act, 1989, the Bank is exempt from Corporation Tax, Income Tax and Capital Gains Tax.

Note 10 Gold

With the exception of coin stocks held in the Bank, gold holdings (Accounting Policy (e)) consist of gold deposits with foreign banks. The increase in the book value is due to the unwinding of the ECB swap (Note 11) partly offset by valuations.

Note 11 Official ECU

As a result of Ireland's membership of the European Monetary System, the Bank participated in quarterly swaps with the European Central Bank (ECB) whereby the Bank exchanged twenty per cent of its gold and US dollar holdings for Official ECU. These swaps were unwound on 31 December 1998.

Note 12 Foreign Deposits & Securities

	1998 £000	1997 £000
Overnight Funds	670,213	282,494
Repurchase Agreements (up to 1 month)	—	762,565
Certificates of Deposit (up to 1 month)	—	145,048
Market Deposits (up to 2 months)	1,799,113	980,126
Treasury Bills (up to 3 months)	879,168	333,692
Government Securities (up to 5 years)	2,410,614	1,080,567
Government Securities (5-10 years)	35,581	14,917
Total	5,794,689	3,599,409

Note 13 Contribution to ECB Capital

This represents the Bank's contribution to the initial capital of the European Central Bank (Note 4(ii)).

Note 14 Other Assets

	1998 £000	1997 £000
Other Foreign Assets		
Accrued Income (Coupon, Interest, etc.)	43,834	38,343
Shares in the Bank for International Settlements (i)	6,552	6,815
Other	1,315	464
Total	51,701	45,622

- (i) The Bank holds 8,000 shares in the Bank for International Settlements (BIS) of 2,500 Swiss Gold Francs each, of which one quarter has been paid up. The decrease in the book value of the BIS holding is due to valuations (Notes 4(ii), 21).

	1998 £000	1997 £000
Other Domestic Assets		
Stocks of Materials for Note Production (mainly Paper, Ink & Plates)	1,353	954
AIB/ICAROM Interest Bearing Loan (Note 15)	–	55,181
IRIS Non-Interest Bearing Loan (ii)	76	110
Accrued Income (Coupon, Interest, etc.)	(599)	328
Other	12,096	14,273
Total	12,926	70,846

(ii) The non-interest bearing loan relates to the Bank's contribution to the costs associated with the project managed by Irish Realtime Interbank Settlement Company Limited (IRIS Co.) to install a real time gross settlement (RTGS) system in Ireland. The loan is repayable over seven years, the first instalment of which was received in June 1997.

Note 15 Domestic Securities

Certificates of Indebtedness consist of advances of £31.7 million to Government in respect of payments to international organisations and advances of £100 million related to the funding of the Insurance Corporation of Ireland plc (under Administration).

As part of the arrangements for the financing of the Insurance Corporation of Ireland plc (under Administration), the Bank advanced a sum of £100 million in 1985 to the Minister for Finance, of which £70 million was provided by Allied Irish Banks plc by way of a deposit with the Bank. The sum of £100 million is represented by a Government Certificate of Indebtedness due to mature not later than October 2000.

As part of further arrangements agreed in 1992 for the financing of ICAROM plc (under Administration) which commenced in 1993, £8.8 million per annum for 20 years is being received from Allied Irish Banks plc and passed on to the Administrator of ICAROM plc. One of the mechanisms used in the collection of these funds is a back-to-back deposit arrangement between Allied Irish Banks plc and the Bank which has yielded the required sum over the course of 1998; this deposit was renewed in early 1999.

Note 16 Advances

These consist of advances to credit institutions and represent the Bank's support to the domestic money market. All the advances are secured by Irish Government Bonds.

	1998 £000	1997 £000
Short Term Facility (overnight)	46,600	31,800
Advances under Sale and Repurchase Agreements (up to 2 weeks)	1,708,500	1,605,450
Total	1,755,100	1,637,250

Note 17 Cheques in the Course of Clearing

Cheques in the Course of Clearing represents a claim on credit institutions in respect of cheques lodged in the Bank by its customers on the last business day of the year and presented to the banks on the first business day of the new year.

Note 18 Fixed Assets

	Premises		Plant and Machinery		Computer Equipment		Other Equipment		Furniture Fixtures & Fittings		Total Fixed Assets	
	1998 £000	1997 £000	1998 £000	1997 £000	1998 £000	1997 £000	1998 £000	1997 £000	1998 £000	1997 £000	1998 £000	1997 £000
At Cost – 1 January	15,790	12,819	15,205	6,244	3,048	2,340	2,028	1,288	3,596	3,308	39,667	25,999
Acquisitions (+)	2,737	2,971	8,707 (1)	8,961	697	708	812	740	218	288	13,171	13,668
Disposals (-)	–	–	–	–	–	–	(27)	–	–	–	(27)	–
At Cost – 31 December	18,527	15,790	23,912	15,205	3,745	3,048	2,813	2,028	3,814	3,596	52,811	39,667
Accumulated Depreciation at 1 January	4,143	3,891	5,234	4,766	2,194	2,007	1,087	891	2,834	2,433	15,492	13,988
Depreciation for Year (2)	311	252	1,165	468	272	187	323	196	365	401	2,436	1,504
Depreciation on Disposal (-)	–	–	–	–	–	–	(20)	–	–	–	(20)	–
Accumulated Depreciation at 31 December	4,454	4,143	6,399	5,234	2,466	2,194	1,390	1,087	3,199	2,834	17,908	15,492
Net Book Value at 31 December	14,073	11,647	17,513	9,971	1,279	854	1,423	941	615	762	34,903	24,175

(1) Replacement of Print machinery.

(2) £2.293 million was charged to the Profit and Loss Appropriation account while £0.143 million in respect of Mint machinery was charged to the Currency Reserve (Accounting Policy (d)).

Outstanding commitments in respect of capital expenditure on fixed assets were of the order of £4.8 million (£6.3 million) at 31 December 1998.

Note 19 Unmatured Foreign Exchange Contracts

A summary of the unmaturing contracts to purchase and sell foreign exchange outstanding on 31 December 1998 is set out below.

	Unmatured Purchases	Unmatured Sales	Unmatured Purchases less Sales
	'000s of currency units		
Deutschemark	2,483.8	20,923.4	(18,439.7)
US dollar	323,486.8	1,676,730.5	(1,353,243.6)
Sterling	–	5,950.2	(5,950.2)
Swedish kroner	–	6,364.5	(6,364.5)
Swiss franc	690.3	–	690.3
ECU	441.5	–	441.5
Irish pound	1,135,783.5	219,189.5	916,594.0
Austrian schilling	3,800,000.0	3,800,000.0	–

All contracts had matured by 25 February 1999.

Total net unmaturing sales valued at mid-market closing exchange rates at 31 December were £10.7 million.

Note 20 Unmatured Contracts in Foreign Marketable Securities

As a result of commitments made in December 1998 there were unmaturing net forward purchases of foreign marketable securities of nominal US dollar 88.2 million. Total net forward purchases valued at mid-market closing exchange rates of 31 December were nominal £59.5 million.

All contracts had matured by 8 January 1999.

Note 21 Contingencies

Shares in the Bank for International Settlements are one quarter paid up with a contingent liability to pay the balance (Notes 4(ii), 14(i)).

The Bank is participating, to an amount of approximately US dollar 15 million, in an agreement associated with the bilateral credit facility extended by the Bank for International Settlements (BIS) to the Central Bank of Brazil. The agreement provides that, if a scheduled repayment or payment of interest under the facility remains unpaid, the BIS shall have the right to require the participating central banks to be substituted for it in respect of all its claims then outstanding against the Central Bank of Brazil. Legislation is currently being introduced to enable the Minister to guarantee the Bank against any loss incurred by it under the terms of the facility.

Note 22 Superannuation Liabilities

The Capital and Reserves of the Bank include a Superannuation Reserve of £33.1 million which is not invested in an external fund. No specific investment of the Bank is assigned to this Reserve and consequently it is not adjusted for income earned (Accounting Policy (c), Note 4).

Based on an actuarial valuation, the capitalised value of accrued Superannuation liabilities at end-July 1996 was estimated at £31.4 million (without making allowance for wage inflation) and £68.0 million (allowing for wage inflation).

Note 23 Investor Compensation Act, 1998

Under the powers of Section 10 of the Investor Compensation Act, 1998, the Bank has formed and registered "The Investor Compensation Company Limited". The Company is a company limited by guarantee. Section 20 of the Act provides for the establishment of a subsidiary in accordance with Section 23 of the Central Bank Act, 1997, to provide administrative services to the Company. On this basis, the Bank established "Investor Compensation Administration Limited" (ICAL). This is a single member company with an authorised share capital of £100, of which one ordinary share has been issued.

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL

I have audited the statement of accounts on pages 57 to 70.

Responsibilities of the Central Bank and the Comptroller and Auditor General

The accounting responsibilities of the Bank are set out in the Statement of Directors' Responsibilities on page 58. It is my responsibility, under Section 19 (2) of the Central Bank Act 1989 to audit, certify and report on the statement of accounts transmitted to me by the Bank. As the result of my audit I form an independent opinion on the statement of accounts.

Basis of Opinion

In the exercise of my function as Comptroller and Auditor General, I plan and perform my audit in a way which takes account of the special considerations which attach to State bodies in relation to their management and operation.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the statement of accounts. It also includes an assessment of the significant estimates and judgments made in the preparation of the statement of accounts, and of whether the accounting policies are appropriate, consistently applied and adequately disclosed.

My audit was conducted in accordance with auditing standards which embrace the standards issued by the Auditing Practices Board and in order to provide sufficient evidence to give reasonable assurance that the statement of accounts is free from material misstatement whether caused by fraud or other irregularity or error. I obtained all the information and explanations that I required to enable me to fulfil my function as Comptroller and Auditor General and, in forming my opinion, I also evaluated the overall adequacy of the presentation of information in the statement of accounts.

Certificate

In my opinion, proper books of accounts and records have been kept by the Bank and the statement of accounts, which is in agreement with them, gives a true and fair view of the state of the Bank's affairs at 31 December 1998 and of its surplus income for the year then ended.

John Purcell
Comptroller and Auditor General
7 May 1999

The Year 2000 in the Financial Sector

Introduction

The Central Bank of Ireland is fully conscious of the implications of the Year 2000 issue. The Bank commenced preparatory work in 1996 to ensure Year 2000 compliance of its information technology systems and is committed to ensuring that all its operations will continue to function smoothly over the date change period and into the new millennium.

The Bank is confident that its Year 2000 preparations will be completed on schedule in July 1999. The preparations, which are proceeding satisfactorily, are co-ordinated and monitored by high level management committees and reported to the Board of the Bank.

The Bank's Year 2000 preparations were initially undertaken in conjunction with the Bank's EMU preparations, which were successfully completed in early 1999. The Bank is now participating in the Year 2000 compliance testing programme of the European System of Central Banks.

Financial Supervision and its Scope

Financial services firms throughout the world are actively addressing the Year 2000 problem. To date, the focus has been on awareness, assessment, renovation, testing and implementation of new systems. The overall objective of Year 2000 preparations is the continued smooth functioning of the financial system prior to, during and following the millennium changeover. While it is important to point out that the responsibility for Year 2000 readiness lies with the management of each financial institution, there is an important role to be played by the Bank, as a regulator, to assess whether the steps being taken by financial institutions regarding Year 2000 readiness appear reasonable and prudent.

There may be an inclination for some financial services entities to regard the introduction of the Euro as a successful "test run" for the Year 2000. This is a seriously erroneous view since the Year 2000 issue is much wider. All aspects of a financial institution's operations could be affected and, consequently, no institution should become complacent following a successful Euro conversion.

Bank's Responsibilities

The Bank has statutory responsibility for the supervision of most financial institutions in Ireland including banks, building societies and a broad range of non-bank investment firms, certain entities in the International Financial Services Centre, exchanges (including the Irish

Stock Exchange) and their members, collective investment schemes and the various service providers to such schemes.

The supervisory function within the Bank is split into two separate divisions: Banking Supervision is responsible for the regulation of all credit institutions, and Securities & Exchanges Supervision is responsible for the regulation of all non-bank financial institutions. In monitoring the Year 2000 preparations of regulated institutions, a consistent approach has been adopted by the two divisions.

International Supervisory Background

In September 1997, the Basle Committee on Banking Supervision, which is based in the Bank for International Settlements, issued a paper entitled “The Year 2000 – A Challenge for Financial Institutions and Bank Supervisors”. This was followed in October of that year with a survey of all banking supervisors, including the Bank. The results of that survey were published in March 1998 and showed a range of approaches and levels of awareness among supervisors and regulated institutions.

In April 1998, the Bank for International Settlements hosted a round table discussion on the Year 2000. This was jointly sponsored by the Basle Committee on Banking Supervision, the International Organisation of Securities Commissions, the Committee on Payments and Settlements Systems and the International Association of Insurance Supervisors. The sponsoring organisations agreed to form a Joint Year 2000 Council composed of senior members of each organisation. This Council meets regularly and has agreed a range of initiatives to ensure, firstly, a high level of attention to the Year 2000 challenge within the global financial supervisory community; secondly, to share information on regulatory and supervisory strategies and approaches and to discuss possible contingency measures and finally, to serve as a point of contact with national and international private-sector initiatives.

In June 1998, this Council issued a Guidance Note entitled “Supervisory Guidance on the Independent Assessment of Financial Institutions’ Year 2000 Preparations”. This identified seven broad phases for a Year 2000 preparation programme as follows:

- (i) *Developing a Strategic Approach*
The importance of timely preparations for the Year 2000 change requires the establishment of the Year 2000 project as a strategic objective of the financial institution, with a high degree of involvement of senior management;
- (ii) *Creating Organisational Awareness*
The entire institution should be aware of the strategic importance of the project. There should also be a realisation that the Year 2000 project is not confined to IT issues and is also dependent for its success on external suppliers and customers;

- (iii) *Assessing Actions and Developing Detailed Plans*
The institution should determine the size and complexity of the project and quantify the resources necessary to complete the project. This includes the identification of all critical third parties;
- (iv) *Renovating Systems, Applications and Equipment*
In this phase, the necessary renovations or replacement of hardware and software occurs. There should be a documented action plan with clear target dates, and procedures in place to address issues such as resource shortages, backlogs and failures;
- (v) *Validating the Renovation Through Testing*
The objective of testing is to ensure that all hardware and software changes, and their consequent effects on other systems, are Year 2000 compliant. There should be a detailed plan in place covering the test environment, methodology, schedules, resources, dates, documentation and contingencies;
- (vi) *Implementing Tested Compliant Systems*
Tested compliant systems should be put into production before December 1999 to allow counterparties and customers to interact with the system during normal day-to-day activities;
- (vii) *Contingency Planning*
Institutions should realise that unforeseen problems may arise generally through circumstances beyond their control. Contingency plans should be in place to address such problems as quickly and effectively as possible.

In addition, the International Organisation of Securities Commissions (IOSCO) issued a statement highlighting the various risks associated with Year 2000 and requesting that each of these risks be given due consideration:

- (i) *Completion Risk*
Priorities to be established and a business plan developed in the event of all computer processes not being converted in time;
- (ii) *Implementation Risk*
Planning in the event of a project being delayed or unforeseen problems arising;
- (iii) *Relationship Risk*
Risks associated with external relationships not being ready on time;
- (iv) *Contingency Risk*
Disruption that could occur in the event of systems, both internal and external, not being Year 2000 compliant; and
- (v) *Legal Risk*
The liabilities that an institution may incur if the systems are not Year 2000 compliant.

THE BANK'S APPROACH TO ASSESSING YEAR 2000 PREPARATIONS

As a regulator, the Bank has access to very sensitive information which it requires from the institutions it regulates in order to do its job. The Bank is subject to strict confidentiality requirements under both Irish and EU law and, consequently, it is not allowed to disclose any information it receives about individual institutions. The Bank can, however, give an outline of the current position of the institutions for which it has regulatory responsibility.

The Bank requires all regulated institutions to manage their business in accordance with sound administrative principles and to put in place and maintain internal control arrangements to achieve this. The Bank considers that Year 2000 issues fall within these requirements and, so, each institution bears full responsibility for its own systems. The Bank's role is to assess whether the steps being taken by an institution appear to be reasonable and prudent.

In late 1997, the Bank wrote to all regulated institutions, highlighting the various risks associated with the Year 2000 date change and seeking assurance that such risks were being given due consideration. The Bank required each entity to assign responsibility for preparations for the Year 2000 to a senior member of management and to ensure that the Board of each institution would oversee the implementation of the project.

Since 1997, Year 2000 issues have formed part of the subject matter of routine meetings with senior management of regulated entities and on-site inspections of these entities.

The Bank has circulated guidelines and documents issued by the Bank for International Settlements and the Joint Year 2000 Council to the institutions it supervises.

The Bank has participated in a common interest group at the Irish Banker's Federation since April 1997, through which the Bank has encouraged the sharing of information on a non-competitive basis. The Bank is represented at Joint Year 2000 Council Meetings and at other international supervisory fora where Year 2000 issues are discussed.

The Bank shares information internationally with other supervisors in relation to the preparations of foreign institutions operating here and of Irish institutions operating abroad.

In mid-1998 and again in late 1998, the Bank surveyed all regulated entities to assess their state of readiness for the Year 2000. This was done in order for the Bank to establish a benchmark for the current state of preparedness of the institutions for which it has supervisory responsibility. An analysis of responses indicated that there is a high level of awareness of Year 2000 issues and that adequate planning, resources and priority were being accorded to Year 2000 projects. Most institutions have already completed the assessment and renovation stages of their projects, and the focus for the remainder of 1999 will be on testing and contingency planning. A further survey is

being conducted by the Bank at present which will focus on the testing and contingency planning phases of credit institutions' projects.

Contingency planning will need to be a key priority for institutions over the coming months. It is worth noting that the Bank already requires all institutions to have adequate business continuity and disaster recovery plans in place, and Year 2000 contingency planning should be an extension of this planning process. Year 2000 contingency planning is not just about providing backup to computer systems, it is about ensuring the continuous and efficient functioning of an organisation as a whole before, during and after the millennium date change. Some of the critical matters to be considered include:

- assessment of other dates where information systems may face date-related difficulties in 1999 and 2000, e.g. 9/9/1999 and 29/2/2000
- deadlines which the firm may face for the completion of internal and external testing and for reacting to any unexpected problems that may arise at such times;
- problems with the compliance of critical external parties of the institution, including third-party suppliers, market infrastructures, counterparties, clients and public utilities which may occur during the changeover; and, finally,
- assessment of the human and other resources required for the millennium weekend.

The Bank will continue to monitor the preparations of all institutions for which it has supervisory responsibility.

CENTRAL BANK'S SYSTEMS

Regarding the Bank's own preparations for Year 2000, the following is a brief outline of the current status of those projects which impact on other financial institutions and on the wider economic community.

Business Systems

The Bank's main business systems include accounting and back-office systems run on an IBM Multiprise server. In June 1997, the core IBM hardware and software was upgraded to Year 2000 compliant versions. Since then, third party software products, which are significant components of the system infrastructure, have also been upgraded.

CBISSO

The Central Bank of Ireland Securities Settlements Office system was developed using 4-digit year values and is already compliant. Testing of this system is currently being scheduled and should be complete by mid-1999.

Supply of Notes

Ireland has a well established system for the supply and distribution of banknotes. The Bank's Sandyford Currency Centre supplies banknotes to the main retail banks which, in turn, distribute banknotes through the various branch networks.

The Bank is conscious of the potential impact of an extended Christmas and New Year holiday on banknote demand. These holidays along with the millennium celebrations are likely to lead to increased public demand for banknotes in the days around 1 January 2000. This demand may be tempered to some extent by the increased use by the public of non-cash payment methods including cheques, credit and debit cards.

The Currency Centre has discussed this issue with its main retail bank customers. Their chief concern is to ensure that they have a sufficient quantity of high-quality notes to keep their ATM machines operational. The Bank has identified various measures to address this issue and is currently in discussion with the main retail banks.

The Currency Centre will be closely monitoring developments as the year progresses and adequate reserve stocks of currency will be available to meet any increased demand over the year end.

Retail Clearing Systems

The retail clearing system in Ireland is a decentralised system in the sense that there is no central clearing house operation. Processing of cheques, direct debits, electronic transactions etc., takes place in the clearing departments of the participating institutions. The system used to calculate the net obligations in the various clearing departments is reported to the Central Bank as being Year 2000 compliant. Each institution (including the Central Bank) is responsible for ensuring that its equipment, e.g. cheque sorting machines, is Year 2000 compliant. The Central Bank has a comprehensive plan for Year 2000 compliance for all its in-house systems as do other clearing bank members of the system and the next stage in the process is to move to consider contingency testing.

Target/RTGS

TARGET (Trans-European Automated Real-Time Gross Settlement Express Transfer system) consists of fifteen national real-time gross settlement (RTGS) systems and the European Central Bank Payment Mechanism, which are interlinked so as to provide a uniform platform for the processing of EU cross-border Euro payments. The European System of Central Banks is responsible for co-ordinating Year 2000 testing of TARGET and the Bank is participating in this testing.

The Irish RTGS, which is owned by IRIS (Irish Real-Time Interbank Settlements), is a participant in TARGET. The IRIS System will adhere to the deadlines in the Year 2000 plan for TARGET.

ESCB Systems

The Bank's participation in the European System of Central Banks (ESCB) required the introduction of a number of new information and communication systems. A Year 2000 ad-hoc group under the aegis of the ESCB's Information Technology Committee has formulated a plan for Year 2000 compliance for the common ESCB systems. The target is to achieve compliance by mid-1999.

The bulk of the work will be carried out by the European Central Bank which controls the central components of the systems and is responsible for the software used in the systems. The Bank will

participate in testing as required. All locally supported hardware and software is included in the Bank's Year 2000 compliance programme and no Year 2000 problems are anticipated.

CONCLUSION

The focus of this review is on the Bank's role in monitoring the Year 2000 preparations of financial institutions which it supervises. The monitoring programme undertaken to date has shown that these preparations are well underway. The Bank will continue this monitoring process in the coming months and, in particular, will focus on contingency planning and arrangements for the millennium weekend.

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APPENDIX 1

LEGISLATIVE BASIS FOR BANK'S SUPERVISORY FUNCTIONS

Principal Irish Statutes

Central Bank Act, 1971
Central Bank Act, 1989
Central Bank Act, 1997
Central Bank Act, 1998
Building Societies Act, 1989
Trustee Savings Bank Act, 1989
Companies Act, 1990
Unit Trust Act, 1990
ACC Bank Act, 1992
ICC Bank Act, 1992
Investment Limited Partnerships Act, 1994
Criminal Justice Act, 1994
Investment Intermediaries Act, 1995 (IIA)
Stock Exchange Act, 1995 (SEA)
Investor Compensation Act, 1998

European Directives

First Banking Directive (77/780/EEC)
Annual Accounts Directive (86/635/EEC)
Branch Accounts Directive (89/117/EEC)
Own Funds Directive (89/299/EEC)
Solvency Ratio Directive (89/647/EEC)
Second Banking Directive (89/646/EEC)
Money Laundering Directive (91/308/EEC)
Consolidated Supervision Directive (92/30/EEC)
Large Exposures Directive (92/121/EEC)
Investment Services Directive (93/22/EEC)
Capital Adequacy Directive (93/6/EEC)
Deposit Guarantee Directive (94/19/EEC)
'Post-BCCI' Directive (95/26/EC)
UCITS Directive (85/611/EEC & 88/220/EEC)
Netting Directive (96/10/EC)
Investor Compensation Schemes (97/9/EC)
Amendment to Capital Adequacy Directive (98/31/EC)
Amendment to Solvency Ratio Directive (98/32/EC)
Amendments to Capital Adequacy, Solvency Ratio and First
Banking Directives (98/33/EC)

Implemented by:

S.I. No. 414 of 1979
S.I. No. 294 of 1992
S.I. No. 294 of 1992
Administrative Notice
Administrative Notice
S.I. No. 395 of 1992
Criminal Justice Act, 1994
S.I. No. 396 of 1992
Administrative Notice
IIA and SEA
IIA, SEA & Administrative Notice
S.I. No. 168 of 1995
S.I. No. 267 of 1996
S.I. No. 78 of 1989
Administrative Notice
Investor Compensation Act, 1998
Implementation Notice being drafted
Implementation Notice being drafted
Implementation Notice being drafted

APPENDIX 2

CREDIT INSTITUTIONS OPERATING IN THE STATE CREDIT INSTITUTIONS AUTHORISED TO CARRY ON BANKING BUSINESS IN THE STATE UNDER IRISH LEGISLATION

Holders, at end-December 1998 of Banking Licences issued under Section 9 of the Central Bank Act, 1971

AIB Capital Markets plc
AIB Finance Limited
Allied Irish Banks plc
Anglo Irish Bank Corporation plc
Ansbacher Bankers Limited
Banca Commerciale Italiana (Ireland) plc
Bankgesellschaft Berlin (Ireland) plc
Bank of America NT & SA
Bank of Ireland, The Governor and Company of the
Bank of Ireland Finance Limited
Bank of Montreal Ireland plc
Bear Stearns Bank plc
BW Bank Ireland plc
Caterpillar International Bank plc
Chase Manhattan Bank (Ireland) plc
Citibank NA
Commerzbank Europe (Ireland)
Commerzbank International (Ireland)
Credito Italiano Bank (Ireland) plc
DePfa-Bank Europe plc
Deutsche Bank/DB Ireland plc
Dresdner Bank (Ireland) plc
Equity Bank Limited
Eurohypo European Mortgage Bank plc
First Active plc
Garras Bank – Naspa Dublin
GE Capital Woodchester Bank Limited
Guinness & Mahon (Ireland) Limited
Helaba Dublin Landesbank Hessen-Thüringen International
Hewlett-Packard International Bank Limited
HypoVereinsbank Ireland
Investment Bank of Ireland Limited
Irish Intercontinental Bank Limited
Irish Permanent plc
Irish Trust Bank Limited (in liquidation)*
K B Luxembourg Finance Dublin
LGT Bank in Liechtenstein (Ireland) Limited
Lombard & Ulster Banking Limited
Merchant Banking Limited (in liquidation)**
Merrill Lynch Capital Markets Bank Limited
National Irish Bank Limited
National Irish Investment Bank Limited
Pfizer International Bank Europe
Rabobank Ireland plc
Rheinhyp Bank Europe plc
Sanpaolo Bank Ireland plc
Scotiabank (Ireland) Limited
SGZ-Bank Ireland plc
Smurfit Paribas Bank Limited
Ulster Bank Markets Limited
Westdeutsche Landesbank (Ireland) plc
WGZ-Bank Ireland plc

* An order for the winding-up of Irish Trust Bank Limited was made by the Supreme Court on 26 March 1976.

**An order for the winding-up of Merchant Banking Limited was made by the High Court on 24 May 1982.

Note: Under the terms of Section 7 of the Central Bank Act, 1971, as amended by Section 30 of the Central Bank Act, 1989, the following bodies are exempted from the requirement to hold a banking licence:

ACCBank plc
ICC Bank plc
ICC Investment Bank Limited
Post Office Savings Bank
Trustee Savings Banks
Building Societies
Industrial and Provident Societies
Friendly Societies
Credit Unions
Managers or Trustees of Unit Trusts or Collective Investment Schemes (in respect of the business of such schemes)

Building Societies, at 31 December 1998, authorised to raise funds under the Building Societies Act, 1989

EBS Building Society
ICS Building Society
Irish Nationwide Building Society

APPENDIX 3

CREDIT INSTITUTIONS AUTHORISED IN ANOTHER MEMBER STATE OF THE EUROPEAN UNION OPERATING IN IRELAND

BRANCH BASIS

BRANCH BASIS	MEMBER STATE OF ORIGIN
ABN AMRO Bank NV	Netherlands
Avco Trust plc	United Kingdom
Bankers Trust International plc (BTI)	United Kingdom
Bankinter SA	Spain
Banque Bruxelles Lambert	Belgium
Banque Internationale à Luxembourg	Luxembourg
Banque Nationale de Paris S.A.	France
Barclays Bank plc	United Kingdom
Beneficial Bank plc	United Kingdom
Caja de Ahorros Y Monte de Piedad de Madrid (Caja de Madrid)	Spain
Citco Bank Nederland N.V.	Netherlands
Crédit Local de France	France
Daiwa Europe Bank plc	United Kingdom
Deutsche Bau-Und Bodenbank AG (Bauboden Bank)	Germany
Fimat International Banque	France
FCE Bank plc	United Kingdom
ING Bank NV	Netherlands
KBC Bank NV Dublin Branch	Belgium
Marks and Spencer Financial Services Limited	United Kingdom
MBNA International Bank Limited	United Kingdom
Ulster Bank Limited	United Kingdom

CROSS BORDER BASIS

DEPOSIT-TAKING AND OTHER SERVICES

DEPOSIT-TAKING AND OTHER SERVICES	MEMBER STATE OF ORIGIN
ABN AMRO Lease Holding NV	Netherlands
Allied Trust Bank Limited	United Kingdom
Artesia Bank Luxembourg S.A.	Luxembourg
Banamex Investment Bank plc	United Kingdom
Banco Essi SA	Portugal
Bank Austria Aktiengesellschaft	Austria
Bankers Trust International plc	United Kingdom
Bank of China International (UK) Limited	United Kingdom
Bank of Tokyo-Mitsubishi (Holland) N.V.	Netherlands
Banque Arabe Et Internationale D'Investissement (BAII)	France
Banque De Bretagne	France
Banque De La Cité	France
Banque et Caisse d'Épargne de L'Etat, Luxembourg	Luxembourg
Banque Generale du Luxembourg S.A.	Luxembourg
Banque General Du Phenix Et Du Credit Chimique (Banque Du Phenix)	France
Banque Leu (Luxembourg) S.A.	Luxembourg
Banque Nationale De Paris S.A.	France
Banque Nationale De Paris Guyane	France
Banque Nationale De Paris Intercontinentale	France
Banque Paribas Luxembourg	Luxembourg
Banque Pour L'Expansion Industrielle (BANEXI)	France
Banque Sofirec	France
Barclays Private Bank Limited	United Kingdom
Bayerische Hypotheken-und Wechsel-Bank AG (Hypo-Bank)	Germany
Bayerische Landesbank International S.A.	Luxembourg
BHF-Bank Aktiengesellschaft	Germany
BNP Finance	France
Chang Hwa Commercial Bank (Europe) NV	Netherlands
Charterhouse Bank Limited	United Kingdom
Chase Investment Bank Limited	United Kingdom
Chase Manhattan International Limited	United Kingdom
Chiao Tung Bank Europe NV	Netherlands
Christiania Bank OG Kreditkasse ASA	Norway
CIBC Wood Gundy plc	United Kingdom
Citibank España S.A.	Spain
Commerzbank Aktiengesellschaft	Germany
Compagnie Du Credit Universel	France
Compagnie Financiere De CIC Et De L'Union Europeenne (Union Europeenne De CIC)	France
Credit Lyonnais	France
Credit Suisse (Luxembourg) S.A.	Luxembourg
Credit Universel	France
Creditanstalt – Bankverin Aktiengesellschaft	Austria
Den Danske Bank International SA	Luxembourg
Den Københavnske Bank A/S	Denmark
Den Norske Bank ASA	Norway
Deutsche Ausgleichsbank	Germany
Deutsche Bank AG	Germany
Deutsche Bank Luxembourg SA	Luxembourg

CROSS BORDER BASIS**DEPOSIT-TAKING AND OTHER SERVICES**

Deutsche Hypothekenbank – Hannover
 Deutsche Siedlungs-und Landesrentenbank (DSL Bank)
 DG Bank Deutsche Genossenschaftsbank AG
 Dresdner Bank Luxembourg S.A.
 Dornbirner Sparkasse
 Finansbank (Holland) NV, Amsterdam
 Fuji Bank Nederland NV
 Halifax plc
 Havana International Bank Limited.
 Helaba Luxembourg Landesbank Hessen-Thüringen International S.A.
 Henry Ansbacher & Co. Limited
 HSBC Equator Bank plc
 HSBC Investment Bank plc
 Internationale Nederlanden Bank NV (ING Bank)
 Kas-Associatie NV (Kas-Netbank)
 Kredietbank S.A. Luxembourgeoise
 Marks and Spencer Financial Services Limited
 Midland Bank plc
 NationsBank Europe Limited
 NM Rothschild & Sons Limited
 NV Bank Nederlandse Gemeenten
 Prudential – Bache International
 RBS Trust Bank Limited
 Republic National Bank of New York (Luxembourg) SA
 Rheinhyp Rheinische Hypothekenbank AG, Frankfurt
 Robeco Bank (Luxembourg) SA
 Royal Bank of Canada Europe Limited
 Royal Bank of Scotland plc
 Sabanci Bank plc
 Samuel Montagu & Co. Limited
 Scotiabank (UK) Limited
 Societe Europeenne de Banque SA Luxembourg
 Société Générale
 Societe Nanceienne Varin – Bernier – (Banque SNVB)
 State Street Banque SA
 3i Group plc
 Toronto Dominion Bank Europe Limited
 Westdeutsche Landesbank Girozentrale
 West Merchant Bank
 Yorkshire Building Society

MEMBER STATE OF ORIGIN

Germany
 Germany
 Germany
 Luxembourg
 Austria
 Netherlands
 Netherlands
 United Kingdom
 United Kingdom
 Luxembourg
 United Kingdom
 United Kingdom
 United Kingdom
 Netherlands
 Netherlands
 Luxembourg
 United Kingdom
 United Kingdom
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 United Kingdom

CROSS BORDER BASIS**SERVICES OTHER THAN DEPOSIT-TAKING**

ABN AMRO Bank (Luxembourg) S.A.
 Alliance & Leicester Group Treasury plc.
 Banco Central Hispanoamericano S.A.
 Banco Popular Español S.A.
 Banco Santander S.A.
 Bank of America International Limited
 Bank of America SA Madrid
 Bank of Tokyo-Mitsubishi (Holland) N.V.
 Banque de Gestion Edmond de Rothschild Luxembourg
 Baring Brothers Limited
 County NatWest Limited
 Credit Communal de Belgique SA
 Credit Lyonnais Rouse (France) S.N.C.
 Crown Agents Financial Services Limited
 Deutsche Hyp Deutsche Hypothekenbank Frankfurt – Hamburg AG
 Europäische Hypothekenbank SA, Luxembourg
 First National Bank plc
 First Personal Bank plc
 IKB Deutsche Industriebank AG
 Merrill Lynch Capital Markets (France) S.A.
 Merrill Lynch Finance S.A.
 Morgan Stanley Bank AG
 National Westminster Bank plc
 Pinatton Finance
 SNVB Financements
 Württembergischen Hypotheken Bank AG

MEMBER STATE OF ORIGIN

Luxembourg
 United Kingdom
 Spain
 Spain
 Spain
 United Kingdom
 Spain
 Netherlands
 Luxembourg
 United Kingdom
 United Kingdom
 Belgium
 France
 United Kingdom
 Germany
 Luxembourg
 United Kingdom
 United Kingdom
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 United Kingdom
 France
 France
 Germany

APPENDIX 4

UNDERTAKINGS FOR COLLECTIVE INVESTMENT IN TRANSFERABLE SECURITIES (UCITS)

The following schemes have been authorised by the Central Bank of Ireland, as at 31 December 1998, as Undertakings for Collective Investment in Transferable Securities under the powers conferred on the Bank by the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 1989 (Statutory Instrument No. 78 of 1989).

Name of UCITS	Name of Management Company	Name of Trustee
Aberdeen Prolific International Fund plc	Aberdeen Prolific International Management Ireland Limited	RBS Securities Services (Ireland) Limited
ABN Amro Global Liquidity Funds plc	–	BT Trustee Company (Ireland) Limited
AIB Investment Fund	AIB Fund Management Limited	Allied Irish Banks plc
AIG American Equity Trust	AIG Asset Management Limited	The Governor & Company of the Bank of Ireland
AIG Asia Balanced Fund plc	AIG Asset Management Limited	The Governor & Company of the Bank of Ireland
AIG Asia Emerging Markets Fund plc	AIG Asset Management Limited	The Governor & Company of the Bank of Ireland
AIG Balanced World Fund plc	AIG Asset Management Limited	The Governor & Company of the Bank of Ireland
AIG Emerging Markets Bond Fund plc	AIG Asset Management Limited	The Governor & Company of the Bank of Ireland
AIG Europe Fund plc	AIG Asset Management Limited	The Governor & Company of the Bank of Ireland
AIG Europe Middle East & Africa Emerging Markets Fund plc	AIG Asset Management Limited	The Governor & Company of the Bank of Ireland
AIG Europe Small Companies Fund plc	AIG Asset Management Limited	The Governor & Company of the Bank of Ireland
AIG European Opportunities Fund plc	AIG Asset Management Limited	The Governor & Company of the Bank of Ireland
AIG Global Emerging Markets Fund plc	AIG Asset Management Limited.	The Governor & Company of the Bank of Ireland
AIG Global Equities Growth Fund plc	AIG Asset Management Limited.	The Governor & Company of the Bank of Ireland
AIG Japan Fund plc	AIG Asset Management Limited	The Governor & Company of the Bank of Ireland
AIG Japan Small Companies Fund plc	AIG Asset Management Limited	The Governor & Company of the Bank of Ireland
AIG Latin America Fund plc	AIG Asset Management Limited	The Governor & Company of the Bank of Ireland
AIG Liquidity Fund	AIG Asset Management Limited	The Governor & Company of the Bank of Ireland
AIG Multicurrency Bond Fund plc	AIG Asset Management Limited	The Governor & Company of the Bank of Ireland
AIG South East Asia Fund plc	AIG Asset Management Limited	The Governor & Company of the Bank of Ireland
AIG South East Asia Small Companies Fund plc	AIG Asset Management Limited	The Governor & Company of the Bank of Ireland
AIM Capital Funds plc	AIM Global Management Company Limited	The Governor & Company of the Bank of Ireland
AIMIC Japan New Horizon Fund plc	AIG Asset Management Limited	The Governor & Company of the Bank of Ireland
Akelius Fonder plc	Akelius Fund Management (Ireland) Limited	Barings (Ireland) Limited
Amadeus Capital Vision plc	Dresdner Kleinwort Benson International Management Services Limited	Chase Manhattan Bank (Ireland) plc

Name of UCITS	Name of Management Company	Name of Trustee
AMB Ireland Capital Fund	Dresdner Kleinwort Benson International Management Services Limited	Brown Brothers Harriman Trustee Services (Ireland) Limited
American Diversified Funds plc	–	PFPC Trustee and Custodial Services Limited
Area Asset Advisor Funds plc	Area International Management (Ireland) Limited	Banque Internationale a Luxembourg S.A.
Asia Small Company Growth Fund	GT Asset Management Limited	Daiwa Europe Trustees Ireland Limited
Bank of Ireland Asset Management Equity Mutual Fund	Bank of Ireland Unit Trust Managers Limited	The Governor & Company of the Bank of Ireland
Bank of Ireland Asset Management Managed Mutual Fund	Bank of Ireland Unit Trust Managers Limited	The Governor & Company of the Bank of Ireland
Barclays Global Investors Fixed Income Selection Fund plc	Barclays Global Investors Ireland Limited	The Governor & Company of the Bank of Ireland
Barclays Global Investors Index Selection Fund	Barclays Global Investors Ireland Limited	The Governor & Company of the Bank
Belinvest Realty Fund plc	–	Bermuda Trust (Dublin) Limited
BG Bolsa Crecimiento plc	BT Fund Managers (Ireland) Limited	BT Trustee Company (Ireland) Limited
Blevins Franks International Select Funds plc	Blevins Franks Managers Ireland Limited	RBS Securities Services (Ireland) Limited
BNY Hamilton Funds plc	–	Allied Irish Banks plc
BOC International Fund	BOC International Fund Management Limited	The Governor & Company of the Bank of Ireland
BT & T Telecommunications & Technology Fund plc	BT & T Asset Management (Ireland) Limited	The Governor & Company of the Bank of Ireland
BT Global Assets Funds	BT Fund Managers (Ireland) Limited	BT Trustee Company (Ireland) Limited
BT Global Liquidity Fund plc	BT Fund Managers (Ireland) Limited	BT Trustee Company (Ireland) Limited
BT International Investment Series	BT Fund Managers (Ireland) Limited	BT Trustee Company (Ireland) Limited
Buchanan Performance Funds plc	Buchanan Asset Management (Ireland) Limited	The Governor & Company of the Bank of Ireland
Cazenove International Fund plc	–	Brown Brothers Harriman Trustee Services (Ireland) Limited
CB Clients plc	CICM Fund Management Limited	Allied Irish Banks plc
Christows Investments plc	Christows Investments (Dublin) Limited	MeesPierson Investor Services (Dublin) Limited
CICM International Investments plc	CICM Fund Management Limited	Allied Irish Banks plc
CICM International Portfolios plc	CICM Fund Management Limited	Allied Irish Banks plc
Citi Investment Fund (Ireland)	Ulster Bank Investment Services Limited	Ulster Bank Custodial Services
COBA Clients plc	CICM Fund Management Limited	Allied Irish Banks plc
Coutts Liquidity Fund plc	Coutts Fund Managers Limited	Ulster Bank Custodial Services

Name of UCITS	Name of Management Company	Name of Trustee
Daiwa TAA Japan Fund plc	Daiwa Europe Fund Managers Ireland Limited	Daiwa Europe Trustees Ireland Limited
DekaTeam-Emerging Markets	Deka International (Ireland) Limited	Chase Manhattan Bank (Ireland) plc
DekaTeam-GlobalBond	Deka International (Ireland) Limited	Chase Manhattan Bank (Ireland) plc
DekaTeam-GlobalSelect	Deka International (Ireland) Limited	Chase Manhattan Bank (Ireland) plc
DekaTeam-ImmoFlex USA	Deka International (Ireland) Limited	Chase Manhattan Bank (Ireland) plc
DekaTeam-PharmaTech	Deka International (Ireland) Limited	Chase Manhattan Bank (Ireland) plc
Deutsche Direkt Funds plc	CICM Fund Management Limited	Allied Irish Banks plc
Dicam Japan Fund plc	–	Daiwa Europe Trustees Ireland Limited
DIT-Dresdner Global Opportunities Fund	Dresdner Kleinwort Benson International Management Services Limited	Chase Manhattan Bank (Ireland) plc
DIT-Dresdner Bond Strategies Fund	Dresdner Kleinwort Benson International Management Services Limited	The Governor & Company of the Bank of Ireland
DIT-Dresdner Cashplus 12/96	Dresdner Kleinwort Benson International Management Services Limited	The Governor & Company of the Bank of Ireland
DIT-Dresdner Global Strategies Fund	Dresdner Kleinwort Benson International Management Services Limited	The Governor & Company of the Bank of Ireland
DIT-Dresdner Laufzeitfonds 3/99	Dresdner Kleinwort Benson International Management Services Limited	The Governor & Company of the Bank of Ireland
Dresdner Thornton Asian Selection Funds plc	Dresdner Kleinwort Benson International Management Services Limited	The Governor & Company of the Bank of Ireland
Dresdner Thornton India Fund plc	Dresdner Kleinwort Benson International Management Services Limited	The Governor & Company of the Bank of Ireland
Dreyfus Global Funds plc	Dreyfus Global Management Limited	Allied Irish Bank, plc
dSAM Investment Fund plc	–	BT Trustee Company (Ireland) Limited
DSB-Thornton Latin American Selections Funds plc	Dresdner Kleinwort Benson International Management Services Limited	The Governor & Company of the Bank of Ireland
Edinburgh Umbrella Fund	Edinburgh Unit Trust Managers (Ireland) Limited	Bermuda Trust (Dublin) Limited
Egerton Capital European Fund plc	–	Daiwa Europe Trustees Ireland Limited
EII Voyager Fund plc	–	Brown Brothers Harriman Trustee Services (Ireland) Limited
Ennismore Smaller Companies plc	–	Morgan Grenfell Custodial Services (Ireland) Limited
Equator Investment Programmes	Coutts Fund Managers Limited	Ulster Bank Custodial Services
F.I.T. Czech Investment Fund	F.I.T. Investment Trust Limited	MeesPeirson Investor Services (Dublin) Limited
F.I.T. Delta Growth Fund	F.I.T. Investment Trust Limited	MeesPeirson Investor Services (Dublin) Limited
F.I.T. Frontier Fund	F.I.T. Investment Trust Limited	MeesPeirson Investor Services (Dublin) Limited
Federated International Funds plc	Federated International Management Limited	Allied Irish Banks plc

Name of UCITS	Name of Management Company	Name of Trustee
Fidelity Institutional Cash Fund plc	–	Chase Manhattan Bank (Ireland) plc
Findlay Park US Smaller Companies Fund plc	–	Brown Brothers Harriman Trustee Services (Ireland) Limited
Finsbury Global Investment Funds plc	–	RBS Securities Services (Ireland) Limited
Finter Investment Fund plc	Finter Fund Management (Ireland) Limited	Allied Irish Banks plc
Five Arrows International Fund plc	Rothschild Asset Management (Ireland) Limited	Midland Ireland Global Securities Services Limited
Fleming Private Fund plc	–	RBS Securities Services (Ireland) Limited
Fondo Santander Doble Asegurado plc	Santander International Fund Advisory Ireland Limited	RBS Securities Services (Ireland) Limited
Formosa High-Tech Fund	Morgan Grenfell Fund Managers (Ireland) Limited	Morgan Grenfell Custodial Services (Ireland) Limited
FPK Financial Funds plc	–	Chase Manhattan Bank (Ireland) plc
Frank Russell Investment Company plc	Frank Russell Investments (Ireland) Limited	BT Trustee Company (Ireland) Limited
Fresh Korea Fund	Morgan Grenfell Fund Managers (Ireland) Limited	Morgan Grenfell Custodial Services (Ireland) Limited
Fuji-Lord Abbett Global Fund	Fuji-Lord Abbett International (Dublin) Limited	Chase Manhattan Bank (Ireland) plc
GAM Asia Funds	GAM Fund Management Limited	Chase Manhattan Bank (Ireland) plc
GAM Columbus	GAM Fund Management Limited	Chase Manhattan Bank (Ireland) plc
GAM Europa Funds	GAM Fund Management Limited	Chase Manhattan Bank (Ireland) plc
GAM Orient Funds	GAM Fund Management Limited	Chase Manhattan Bank (Ireland) plc
GAM Star Fund plc	GAM Fund Management Limited	Chase Manhattan Bank (Ireland) plc
GAM Tokyo Funds	GAM Fund Management Limited	Chase Manhattan Bank (Ireland) plc
GAM Total Bond Fund (DM)	GAM Fund Management Limited	Chase Manhattan Bank (Ireland) plc
GAM Universal D.Mark Fund	GAM Fund Management Limited	Chase Manhattan Bank (Ireland) plc
GAN International Umbrella Fund plc	–	RBS Securities Services (Ireland) Limited
General & Cologne Re Investment Trust	General & Cologne Re Fund Managers (Ireland) Limited	Citibank Trustees (Ireland) Limited
GLG Emerging Markets Fund plc	GLG Partners Asset Management Limited	Allied Irish Banks plc
GLG Investments 111 plc	GLG Partners Asset Management Limited	Allied Irish Banks plc
GLG Investments IV plc	GLG Partners Asset Management Limited	Allied Irish Banks plc
GLG Investments plc	GLG Partners Asset Management Limited	Allied Irish Banks plc
Global Capital Markets Portfolio	Smith Barney Management Company (Ireland) Limited	Investors Trust & Custodial Services (Ireland) Limited
Global Funds Management plc	Lazard Investment Funds Limited	BT Trustee Company (Ireland) Limited

Name of UCITS	Name of Management Company	Name of Trustee
Global Horizons Investment Series	Smith Barney Management Company (Ireland) Limited	PFPC Trustee and Custodial Services Limited
Global Property Fund	GPA Fund Managers (Ireland) Limited	MeesPierson Investor Services (Dublin) Limited
Global Resources Stock Fund	Baring Mutual Fund Management (Ireland) Limited	Daiwa Europe Trustees Ireland Limited
Global SCAP Fund	Daiwa Europe Fund Managers Ireland Limited	Daiwa Europe Trustees Ireland Limited
Goldman Sachs Funds plc	–	Allied Irish Bank, plc
Griffin/Partners Umbrella Fund plc	–	Barings (Ireland) Limited
Group One International Trust	Group One International Trust Managers Limited	Chase Manhattan Bank (Ire) plc
GT Indian Small Companies Fund	GT Asset Management Limited	Chase Manhattan Bank (Ireland) plc
GT Latin America Fund plc	GT Asset Management Limited	Barings (Ireland) Limited
GT Pathfinder Series	GT Asset Management Limited	Chase Manhattan Bank (Ireland) plc
GT Small Companies Series	GT Asset Management Limited	Chase Manhattan Bank (Ireland) plc
GT World Bond Series	GT Asset Management Limited	Chase Manhattan Bank (Ireland) plc
GT World Series	GT Asset Management Limited	Chase Manhattan Bank (Ireland) plc
Guinness Flight Select Funds plc	Investec Guinness Flight Fund Managers (Ireland) Limited	Bermuda Trust (Dublin) Limited
Hambros Global Investment Fund plc	Hambros Fund Managers (Ireland) Limited	Barings (Ireland) Limited
Hamon Asian Funds	Hamon Ireland Limited	Bermuda Trust (Dublin) Limited
Hardy & Co Strategy Fund	Dresdner Kleinwort Benson International Management Services Limited	The Governor & Company of the Bank of Ireland
Hausmann International Fund plc	–	The Governor & Company of the Bank of Ireland
Henderson Crosthwaite Investment Company plc	Henderson Crosthwaite Investment Management (Ireland) Limited	The Governor & Company of the Bank of Ireland
Herald Investment Fund plc	–	Morgan Grenfell Custodial Services (Ireland) Limited
INVESCO GT Funds	GT Asset Management Limited	Chase Manhattan Bank (Ireland) plc
Janus World Funds plc	–	The Governor & Company of the Bank of Ireland
John Hancock Umbrella Fund	John Hancock Advisers International (Ireland) Limited	The Governor and the Company of the Bank of Ireland
Korea Active	Morgan Grenfell Fund Managers (Ireland) Limited	Morgan Grenfell Custodial Services (Ireland) Limited
Korea Open Fund	Morgan Grenfell Asset Management (Ireland) Limited	Morgan Grenfell Custodial Services (Ireland) Limited
Korea Strategic Growth Fund	Morgan Grenfell Asset Management (Ireland) Limited	Morgan Grenfell Custodial Services (Ireland) Limited
Korea Sunrise Fund	Morgan Grenfell Asset Management (Ireland) Limited	Morgan Grenfell Custodial Services (Ireland) Limited
Korea Twenty-First Century	–	Meespierson Investor

Name of UCITS	Name of Management Company	Name of Trustee
Investment Company plc		Services (Dublin) Limited
Korean Growth Fund	Bank of Ireland Unit Managers Limited	Daiwa Europe Trustees Ireland Limited
Korean Power Fund	Morgan Grenfell Fund Managers (Ireland) Limited	Morgan Grenfell Custodial Services (Ireland) Limited
Lares Funds	Morgan Grenfell Fund Managers (Ireland) Limited	Morgan Grenfell Custodial Services (Ireland) Limited
Latin America Fund	Baring Mutual Fund Management (Ireland) Limited	Daiwa Europe Trustees Ireland Limited
Lazard Global Bond Fund plc	Lazard Investment Funds Limited	BT Trustee Company (Ireland) Limited
Lazard Global Equity Fund plc	Lazard Investment Funds Limited	BT Trustee Company (Ireland) Limited
Lazard Global Liquidity Fund plc	Lazard Investment Funds Limited	BT Trustee Company (Ireland) Limited
LG Japan Fund plc	Lloyd George Investment Management (Ireland) Limited	Barings (Ireland) Limited
LG Korea Fund plc	Lloyd George Investment Management (Ireland) Limited	Barings (Ireland) Limited
Lotus Fund plc	–	Bermuda Trust (Dublin) Limited
Marathon Global Fund	Marathon Asset Management (Ireland) Limited	The Governor & Company of the Bank of Ireland
Mediolanum Defender Funds	Mediolanum International Funds Limited	Banque Internationale a Luxembourg S.A.
Mediolanum LONGTERM Funds	Mediolanum International Funds Limited	Banque International a Luxembourg SA
Mediolanum TOP MANAGERS Funds	Mediolanum International Funds Limited	Banque Internationale a Luxembourg SA
Merrill Lynch Mercury Institutional Liquidity Funds plc	Mercury Asset Management Dublin Limited	The Governor & Company of the Bank of Ireland
Metzler International Investments plc	Metzler Ireland Limited	Brown Brothers Harriman Trustee Services (Ireland) Limited
Morgan Grenfell euroSpectrum Funds plc	Morgan Grenfell Asset Management (Ireland) Limited	Morgan Grenfell Custodial Services (Ireland) Limited
Morgan Grenfell Funds plc	Morgan Grenfell Asset Management (Ireland) Limited	Morgan Grenfell Custodial Services (Ireland) Limited
Morgan Grenfell Global Select Funds plc	Morgan Grenfell Asset Management (Ireland) Limited	Morgan Grenfell Custodial Services (Ireland) Limited
Morgan Grenfell International Funds plc	Morgan Grenfell Asset Management (Ireland) Limited	Morgan Grenfell Custodial Services (Ireland) Limited
Murray Global Accumulation Funds plc	Murray Johnstone (Dublin) Limited	Bermuda Trust (Dublin) Limited
NatWest Reserve Funds plc	–	Ulster Bank Custodial Services
Nicholas-Applegate Global Umbrella Fund plc	–	PFPC Trustee and Custodian Services Limited
Nicholas-Applegate International Umbrella Fund plc	–	Bermuda Trust (Dublin) Limited
NM Asian Select Funds	Citibank Investment Services Ireland Limited	Citibank Trustees (Ireland)
NPI Portfolio Fund plc	NPI International Dublin Limited	Chase Manhattan Bank (Ireland) plc

Name of UCITS	Name of Management Company	Name of Trustee
Nucleus Funds plc	–	Investors Trust & Custodial Services (Ireland) Limited
Odey European Growth Fund	BT Fund Managers (Ireland) Limited	BT Trustee Company (Ireland) Limited
Oppenheimer Millennium Funds plc	Oppenheimer Funds International Limited	FFPC Trustee and Custodial Services Limited
PaineWebber Offshore Funds plc	BISYS Fund Services (Ireland) Limited	Clydesdale Trustee & Custodial Services (Ire) Limited
Pegasus Strategic Investment Company plc	–	The Governor & Company of the Bank of Ireland
Peregrine Premier Funds plc	–	Bermuda Trust (Dublin) Limited
Pimco Advisors Funds plc	Pimco Global Advisors (Ireland) Limited	Investors Trust & Custodial Services (Ireland) Limited
Pioneer Emerging Europe Fund plc	Pioneer Management (Ireland) Limited	Brown Brothers Harriman Trustee Services (Ireland) Limited
Pioneer European Equity Fund plc	Pioneer Management (Ireland) Limited	Brown Brothers Harriman Trustee Services(Ireland) Limited
Pioneer Global Bond Fund plc	Pioneer Management (Ireland) Limited	Brown Brothers Harriman Trustee Services (Ireland) Limited
Pioneer Global Equity Fund plc	Pioneer Management (Ireland) Limited	Brown Brothers Harriman Trustee Services (Ireland) Limited
Pioneer US Growth Fund plc	Pioneer Management (Ireland) Limited Brown Brothers Harriman Trust Services (Ireland) Limited	
Pioneer US Real Estate Fund plc	Pioneer Management (Ireland) Limited	Brown Brothers Harriman Trustee Services(Ireland) Limited
Premier Protected Assets Funds plc	–	RBS Securities Services (Ireland) Limited
PSCO Financial Services Fund plc	–	Bermuda Trust (Dublin) Limited
Putnam World Trust	Morgan Grenfell Fund Managers (Ireland) Limited	Morgan Grenfell Custodial Services (Ireland) Limited
Quaestor Portfolio	Bank of Ireland Unit Managers Limited	The Governor & Company of the Bank of Ireland
Ranson Funds USA plc	–	Allied Irish Banks plc
Regent Magna Europa Fund plc	–	Investors Trust & Custodial Services (Ireland) Limited
Saudi International Investment Company plc	–	Barings (Ireland) Limited
Scottish Mutual International Investment Fund plc	Scottish Mutual International Fund Managers Limited	Barings (Ireland) Limited
Scottish Value Portfolio Fund	Scottish Value Management (Ireland) Limited	RBS Securities Services (Ireland) Limited
SG\Russell Funds plc	SG\Russell Asset Management Limited	FIMAT International Banque Dublin Branch
Short-Term Investments Company (Global Series) plc	AIM Global Management Company Limited	Allied Irish Banks, plc
Singer & Friedlander “Roll-Up” Funds plc	Singer & Friedlander Total Asset Management Limited	Chase Manhattan Bank (Ireland) plc

Name of UCIS	Name of Management Company	Name of Trustee
Singer & Friedlander Investment Funds plc	Singer & Friedlander Total Asset Management Limited	Chase Manhattan Bank (Ireland) plc
Skandia Select Fund plc	Skandia Fund Management (Ireland) Limited	PFPC Trustee and Custodial Services Limited
Smith Barney Global Enhanced Income Fund	Smith Barney Management Company (Ireland) Limited	PFPC Trustee and Custodial Services Limited
Summit Investment Funds plc	EBS Asset Managers Limited	Citibank Trustees (Ireland) Limited
Swiss Life Investment Fund plc	Swiss Life Investment Management Limited	Citibank Trustees (Ireland) Limited
The Baring Capitalisation Umbrella Fund	Baring International Fund Managers (Ireland) Limited	Barings (Ireland) Limited
The Baring Emerging Markets Umbrella Fund	Baring International Fund Managers (Ireland) Limited	Barings (Ireland) Limited
The Baring Global Umbrella Fund	Baring International Fund Managers (Ireland) Limited	Barings (Ireland) Limited
The Baring International Umbrella Fund	Baring International Fund Managers (Ireland) Limited	Barings (Ireland) Limited
The Equity Linked Fund plc	–	Citibank Trustees (Ireland) Limited
The Fiduciary Trust Global Fund	Fiduciary International Ireland Limited	Investors Trust & Custodial Services (Ireland) Limited
The Galileo Fund	Old Mutual Fund Managers (Ireland) Limited	Citibank Trustees (Ireland) Limited
The Global Navigator	Dresdner Kleinwort Benson International Management Services Limited	Chase Manhattan Bank (Ireland) plc
The Halal Mutual Investment Company plc	–	RBS Securities Services (Ireland) Limited
The International Investment Portfolios plc	–	The Governor & Company of the Bank of Ireland
The Kleinwort Benson India Fund plc	Dresdner Kleinwort Benson International Management Services Limited	The Governor & Company of the Bank of Ireland
The Knight Williams International Portfolio	Knight Williams Portfolio Management International Limited	Barings (Ireland) Limited
The New Silk Road Fund	Morgan Grenfell Asset Management (Ireland) Limited	Morgan Grenfell Custodial Services (Ireland) Limited
The Sagitta Fund plc	–	Brown Brothers Harriman Trustee Services (Ireland) Limited
The Wanger Investment Company plc	–	The Governor & Company of the Bank of Ireland
The World Emerging Markets Umbrella Fund plc	–	Barings (Ireland) Limited
Thema International Fund plc	–	Bermuda Trust (Dublin) Limited
Tilney Umbrella Fund	Tilney (Ireland) Limited	RBS Securities Services (Ireland) Limited
Tokai Umbrella Fund	Morgan Grenfell Fund Managers (Ireland) Limited	Morgan Grenfell Custodial Services (Ireland) Limited
Trainer Wortham US Growth Fund plc	–	Bermuda Trust (Dublin) Limited
Trygg Umbrella Fund	Trygg Fund Managers (Ireland) Limited	Morgan Grenfell Custodial Services (Ireland) Limited
UAM Funds plc	–	Chase Manhattan Bank

Name of UCITS	Name of Management Company	Name of Trustee (Ire) plc
UBZ Euro-Optimizer Fund	AIG Asset Management Limited	The Governor & Company of the Bank of Ireland
UBZ Liquidity Fund – ECU	AIG Asset Management Limited	The Governor & Company of the Bank of Ireland
UBZ Liquidity Fund – Swiss Franc	AIG Asset Management Limited	The Governor & Company of the Bank of Ireland
UBZ Liquidity Fund – US Dollar	AIG Asset Management Limited	The Governor & Company of the Bank of Ireland
UK Gilt Trust	Old Mutual Fund Managers (Ireland) Limited	Citibank Trustees (Ireland) Limited
Vanguard Investment Series plc	Vanguard Group (Ireland) Limited	Chase Manhattan Bank (Ireland) plc
Voyager Investments plc	Bank of Ireland Unit Managers Limited	The Governor & Company of the Bank of Ireland
Warburg Pincus Funds plc	Warburg Pincus Asset Management (Dublin)	PFPC Trustee & Custodial Services Limited
Wellington Management Portfolios (Dublin) plc	–	The Governor & Company of the Bank of Ireland
Weser EMS Investment Company plc	–	The Governor & Company of the Bank of Ireland
WP Stewart Funds plc	WP Stewart Fund Management Limited	Bermuda Trust (Dublin) Limited
Yamaichi Samsung Dynamic Korea Fund	Morgan Grenfell Asset Management (Ireland) Limited	Morgan Grenfell Custodial Services (Ireland) Limited
Yuki Korea Fund	Morgan Grenfell Asset Management (Ireland) Limited	Morgan Grenfell Custodial Services (Ireland) Limited

APPENDIX 5

UNDERTAKINGS FOR COLLECTIVE INVESTMENT IN TRANSFERABLE SECURITIES (UCITS) AUTHORISED IN OTHER MEMBER STATES OF THE EUROPEAN UNION AND MARKETING IN IRELAND

The following schemes which have been authorised in other Member States of the European Union, have notified the Central Bank of Ireland of their intention to market in Ireland. They have complied with Part X of the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 1989. At least two months have elapsed since that compliance and they are, therefore, entitled to market shares or units of their schemes in this country.

UCITS

ABN AMRO Funds	Save and Prosper American Income and Growth Fund
Aberdeen Atlas Fund	Save and Prosper American Smaller Companies Fund
The Aetna International Umbrella Fund	Save and Prosper Capital Units
AIB Govett American General Fund	Save and Prosper Commodity Share Fund
AIB Govett UK Equity General Fund	Save and Prosper Eastern Discovery Fund
AIB Govett European General Fund	Save and Prosper Energy Industries Fund
AIB Govett Corporate Bond Fund	Save and Prosper European Growth Fund
AIB Govett Japan General Fund	Save and Prosper European Income and Growth Fund
AIB Govett FTSE Mid 250 Index Fund	Save and Prosper Financial Securities Fund
AIB Govett American Strategy Fund	Save and Prosper Gilt and Fixed Interest Income Fund
AIB Govett European Strategy Fund	Save and Prosper Gold and Exploration Fund
AIB Govett Pacific Strategy Fund	Save and Prosper International Bond Fund
AIB Govett Greater China Fund	Save and Prosper Japan Growth Fund
AIB Govett International Growth Fund	Save and Prosper Japan Smaller Companies Fund
AIB Govett UK Smaller Companies Fund	Save and Prosper New Technology Fund
AIB Govett Global Strategy Fund	Save and Prosper Scotbits
AIB Govett Latin America Fund	Save and Prosper Select International Fund
AIB Govett Asia Pacific Fund	Save and Prosper South East Asia Growth Fund
Asia Super Growth Fund	Save and Prosper US Growth Fund
Asia Tiger Warrant Fund	Save and Prosper Universal Growth Fund
Barclays Investment Funds (Luxembourg)	Templeton Global Strategy SICAV
Baring American Growth Trust	Von Ernst Global Portfolio Luxembourg
Baring American Smaller Companies Trust	
Baring Convertibles Trust	
Baring Eastern Trust	
Baring Equity Income Trust	
Baring Europe Trust	
Baring European Growth Trust	
Baring German Growth Trust	
Baring Global Bond Trust	
Baring Global Growth Trust	
Baring Japan Growth Trust	
Baring Japan Sunrise Trust	
Baring Korea Trust	
Baring Portfolio Fund	
Baring UK Growth Trust	
Baring UK Smaller Companies Trust	
CMI Global Network Fund	
CMI Managed International Fund	
Fidelity Funds SICAV	
Five Arrows Portfolio Fund	
Fleming Flagship Fund	
Fleming Flagship Series II	
Guinness Flight Blue Chip Portfolio Trust	
Guinness Flight Emerging Companies Trust	
Henderson Horizon Fund	
HSBC Global Investment Funds Luxembourg SA	
INVESCO European Warrant Fund	
INVESCO Maximum Income Fund	
INVESCO MIM Okasan Global Strategy Fund	
INVESCO Premier Select Fund	
Mercury Selected Trust	
Mercury World Bond Fund	
Nippon Warrant Fund	
Premier International Investments	

APPENDIX 6

FOREIGN COLLECTIVE INVESTMENT SCHEMES (OTHER THAN UCITS) MARKETING IN IRELAND

The following collective investment schemes have been approved by the Bank to market in Ireland under Section 256(8) of the Companies Act, 1990 and Section 9 of the Unit Trusts Act, 1990.

Name

AIB Grofund Currency Funds Limited
AHL Guaranteed Capital Markets Limited
Alliance & Leicester International Fund plc
Allied Dunbar International Funds Limited
Allied Dunbar International Specialist Funds plc
Athena Guaranteed Currencies Limited
Bank of Ireland British Overseas Trust
Bank of Ireland Capital Growth Trust
Bank of Ireland Global Funds Limited
Bank of Ireland International Portfolio
Bank of Ireland Worldwide Opportunity Trust
Barclays International Fund of Funds Limited
Barclays Investment Funds (Channel Islands) Limited
Barclays Unicorn Multicurrency Fund Limited
Davy Growth Trust
Dresdner RCM Emerging Markets Fund Limited
Dresdner RCM International Income Bond Fund Limited
Emerald Equity Company plc
Fidelity Currency Funds Limited
Five Arrows Currency Fund Limited
Five Arrows International Bond Fund Limited
Five Arrows International Investment Funds
Five Arrows International Reserves Limited
Gartmore Capital Strategy Fund Limited
Guinness Flight Global Strategy Fund
Guinness Flight International Accumulation Fund Limited
Hill Samuel International Bond Fund Limited
Hill Samuel Offshore Funds Limited
Hill Samuel Offshore High Yield Fund Limited
Hill Samuel Sterling Fixed Interest Fund Limited
Irish Permanent International Funds plc
Lloyds International Money Market Fund Limited
MAP Guaranteed Limited
Mercury International Bond Fund
Mercury Offshore Balanced Portfolio
Mercury Sterling Fund
Mercury World Trader Funds
 –UK Equity Bull Trader Fund
Mercury World Trader Funds
 –US Equity Bull Trader Fund
Mercury World Trader Fund
 –Japanese Equity Bull Trader Fund
Mercury World Trader Fund
 –European Equity Bull Trader Fund
Mint Guaranteed Currencies 2001 Limited
(Mint Guaranteed Currencies 2001)
Mint Guaranteed Global Financial 2003 Limited
Old Mutual International Funds Limited
Old Mutual International Total Income Fund Limited
Ulster Bank Global Funds plc

APPENDIX 7

AUTHORISED UNIT TRUST SCHEMES

The unit trusts listed below are authorised by the Central Bank of Ireland, as at 31 December 1998, under the Unit Trusts Act, 1990. Unit trusts established before 26 December 1990 and registered under the Unit Trusts Act, 1972, which is repealed, were automatically authorised by the new legislation.

Name of Unit Trust	Name of Management Company	Name of Trustee
AIB Capital Markets Unit Trust	AIB Fund Management Limited	Allied Irish Banks plc
AIB Global Funds Unit Trust	AIB Fund Management Limited	Allied Irish Banks plc
AIB Guaranteed Growth Funds	AIB Fund Management Limited	Erin Executor & Trustee Company Limited
AIB Umbrella Trust	AIB Fund Management Limited	Allied Irish Banks plc
AIMIC Asian Capital Growth Fund	AIG Asset Management Limited	The Governor & Company of the Bank of Ireland
Alban Gate Investment Fund	Chase Funds Management Services (Ireland) Limited	Chase Manhattan Bank (Ireland) plc
Allied Irish Capital Growth Fund	AIB Fund Management Limited	Erin Executor & Trustee Company Limited
Allied Irish Charibond	AIB Fund Management Limited	Erin Executor & Trustee Company Limited
Allied Irish Charicash	AIB Fund Management Limited	Erin Executor & Trustee Company Limited
Allied Irish Charifund	AIB Fund Management Limited	Erin Executor & Trustee Company Limited
Allied Irish Equity Fund	AIB Fund Management Limited	Erin Executor & Trustee Company Limited
Allied Irish High Income Fund	AIB Fund Management Limited	Erin Executor & Trustee Company Limited
Allied Irish Managed Fund	AIB Fund Management Limited	Erin Executor & Trustee Company Limited
Allied Irish Property Fund	AIB Fund Management Limited	Erin Executor & Trustee Company Limited
Asia Access 2000 Fund	Ulster Bank Fund Services Limited	Ulster Bank Custodial Services
Asia Landmark Fund	Ulster Bank Fund Services Limited	Ulster Bank Custodial Services
Asian Equity Pioneer Fund	Bank of Ireland Unit Managers Limited	The Governor & Company of the Bank of Ireland
Asset Korea Fund	AIB/BNY Fund Management (Ireland) Limited	Allied Irish Banks plc
Atlantis Korean Smaller Companies Fund	Atlantis Investment Management (Ireland) Limited	BT Trustee Company (Ireland) Limited
Bank of Ireland Asset Management Bond Mutual Fund	Bank of Ireland Unit Trust Managers Limited	The Governor & Company of the Bank of Ireland
Bank of Ireland Asset Management EIRI Mutual Funds	Bank of Ireland Unit Trust Managers Limited	The Governor & Company of the Bank of Ireland
Bank of Ireland Corporate Unit Trust	Bank of Ireland Unit Trust Managers Limited	The Governor & Company of the Bank of Ireland
Barclays Global Investors Selection Fund	Barclays Global Investors Ireland Limited	The Governor & Company of the Bank of Ireland
Baring Global Opportunities Umbrella Fund	Baring International Fund Managers (Ireland) Limited	Barings (Ireland) Limited
Baring Infrastructure Fund	Baring Mutual Fund Management (Ireland) Limited	Barings (Ireland) Limited
Bear Stearns Explorer	Bear Stearns Asset Management (Ireland) Limited	PFPC Trustee & Custodial Services Limited

Name of Unit Trust	Name of Management Company	Name of Trustee
Bear Stearns Explorer II	Bear Stearns Asset Management Ireland Limited	PFPC Trustee & Custodial Services Limited
BGI Index Selection Fund	Barclays Global Investors Ireland Limited	The Governor & Company of the Bank of Ireland
Capital Growth Fund	Ulster Bank Fund Services Limited	Ulster Bank Custodial Services
Coronation Universal Fund	Coronation Fund Managers (Ireland) Limited	Chase Manhattan Bank (Ireland) plc
CR Alternative Funds	CR Management Limited	Banque Internationale à Luxembourg Dublin Branch
Daiwa Gaika MMF	Daiwa Europe Fund Managers Ireland Limited	Daiwa Europe Trustees Ireland Limited
Daiwa Giga Fund (Daiwa/Goldman Sachs Global Trading Strategies Fund)	Daiwa Europe Fund Managers Ireland Limited	Daiwa Europe Trustees Ireland Limited
Daiwa Liberty Fund	Daiwa Europe Fund Managers Ireland Limited	Daiwa Europe Trustees Ireland Limited
Daiwa Mega Fund	Daiwa Europe Fund Managers Ireland Limited	Daiwa Europe Trustees Ireland Limited
Davy High Yield Trust	Mulroy Investment Services Limited	The Governor & Company of the Bank of Ireland
DMG International Bond Fund	Morgan Grenfell Fund Managers (Ireland) Limited	Morgan Grenfell Custodial Services (Ireland) Limited
DMG International Fund	Morgan Grenfell Asset Management (Ireland) Limited	Morgan Grenfell Custodial Services (Ireland) Limited
Dolmen Irish Equity Fund	Dolmen Securitites Limited	MeesPierson Investor Services (Dublin) Limited
Dynamic Futures Fund	Societe Generale Alternative Investments (Ireland) Limited	FIMAT International Banque Dublin Branch
Dynamic Futures II	Societe Generale Alternative Investment (Ireland) Limited	FIMAT International Banque Dublin Branch
Edgehill Select Group Umbrella Trust	MeesPierson Fund Services(Dublin) Limited Dublin 1	MeesPierson Investor Services (Dublin) Limited
Epsilon	Societe Generale Alternative Investment (Ireland) Limited	FIMAT International Banque Dublin Branch
Euromeister	CICM Fund Management Limited	Allied Irish Banks plc
Eyres Reed Australian Resources Fund	Investor Fund Services (Ireland) Limited	Investors Trust & Custodial Services (Ireland) Limited
Finter Fund Ireland	Finter Fund Management (Ireland) Limited	Allied Irish Banks plc
Framlington Maghreb Fund	Framlington Investment Management (Ireland) Limited	Chemical Ireland Custody & Trustee Services Limited
Futures Trust of the World	Societe Generale Alternative Investment (Ireland) Limited	FIMAT International Banque Dublin Branch
Galaxy Fund	KEB (Ireland) Fund Management Limited	KEB (Ireland) Custodial Services Limited
Gartmore Global Index Umbrella Fund	Ulster Bank Fund Services Limited	Ulster Bank Custodial Services
Global Futures FRF	Societe Generale Alternative Investment (Ireland)Limited	FIMAT International Banque Dublin Branch
Global Futures USD	Societe Generale Alternative Investment (Ireland) Limited	FIMAT International Banque Dublin Branch
Global Protection Advantage Fund	Brown Brothers Harriman Fund Administration Services (Ireland) Limited	Brown Brothers Harriman Trustee Services (Ireland) Limited

Name of Unit Trust	Name of Management Company	Name of Trustee
Global Super Select Fund	Baring Mutual Fund Management (Ireland) Limited	Barings (Ireland) Limited
Goldman Sachs Global Currency Fund – Dollar Plus	Chase Funds Management Services (Ireland) Limited	Chase Manhattan Bank (Ireland) plc
Goldman Sachs Global Currency Fund – Euro Plus	Chase Funds Management Services (Ireland) Limited	Chase Manhattan Bank (Ireland) plc
Greater America 92	Baring Mutual Fund Management (Ireland) Limited	Barings (Ireland) Limited
GT Asian Warrants and Derivatives Fund	GT Asset Management Limited	Chase Manhattan Bank (Ireland) plc
Hamon Institutional Funds	Hamon Ireland Limited	Bermuda Trust (Dublin) Limited
Hanmi Korea Venture Fund	Morgan Grenfell Fund Managers (Ireland) Limited.	Morgan Grenfell Custodial Services (Ireland) Limited
Helvetia Umbrella Fund	Morgan Grenfell Fund Managers (Ireland) Limited	Morgan Grenfell Custodial Services (Ireland) Limited.
HSBC Korean Unit Trust	Midland International Financial Services (Ireland) Limited	Midland Ireland Global Securities Services Limited
IBJI Delta Neutral Fund	Ulster Bank Fund Services Limited	Ulster Bank Custodial Services
International Resources & General Fund	Ulster Bank Fund Services Limited	Ulster Bank Custodial Services
Investec Global Select Funds	Investec Asset Management (Ireland) Limited	BT Trustee Company (Ireland) Limited
Irish Life Charite Unit Trust	Irish Life Unit Fund Managers Limited	Citibank Trustees(Ireland) Limited
Irish Life Mixed Irish and International Equity Unit Trust	Irish Life Unit Fund Managers Limited	Citibank Trustees (Ireland) Limited
KEB Rose Fund	KEB (Ireland) Fund Management Limited	KEB (Ireland) Custodial Services Limited
KEB Shamrock Fund	KEB (Ireland) Fund Management Limited	KEB (Ireland) Custodial Services Limited
KIM Europe Worldwide Fund	Korea Investment Management Ireland Limited	Morgan Grenfell Custodial Services (Ireland) Limited
Korea Balanced Return Fund	Morgan Grenfell Fund Managers (Ireland) Limited.	Morgan Grenfell Custodial Services (Ireland) Limited
Korea Blue Chip Fund	Morgan Grenfell Fund Managers (Ireland) Limited.	Morgan Grenfell Custodial Services(Ireland) Limited
Korea Bond Trust	Brown Brothers Harriman Fund Administration Services (Ireland) Limited	Brown Brothers Harriman Trustee Services (Ireland) Limited
Korea Capital Growth Fund	Morgan Grenfell Fund Managers (Ireland) Limited.	Morgan Grenfell Custodial Services (Ireland) Limited
Korea Domestic Convertible Bond Fund	Meespierson Fund Services (Dublin) Limited	Meespierson Investor Services (Dublin) Limited
Korea Fund	BT Fund Managers (Ireland) Limited	BT Trustee Company (Ireland) Limited
Korea Preferred Share Fund	AIB/BNY Fund Management (Ireland) Limited	Allied Irish Banks plc
Korea Prime Fund	Morgan Grenfell Fund Managers (Ireland) Limited	Morgan Grenfell Custodial Services (Ireland) Limited
Korea Twin Fund	Ulster Bank Fund Services Limited	Ulster Bank Custodial Services

Name of Unit Trust	Name of Management Company	Name of Trustee
Korean Emerging Growth Trust	AIB Fund Management Limited	Allied Irish Banks plc
La Vie en Rose	Societe Generale Alternative Investment (Ireland) Limited	FIMAT International Banque Dublin Branch
Latin American Corporate Bond Fund	Bank of Ireland Unit Managers Limited	The Governor & Company of the Bank of Ireland
Latin American Extra Yield Fund	Bank of Ireland Unit Trust Managers Limited	Bank of Ireland Trust Services Limited
Mega II (Daiwa) Fund	Daiwa Europe Fund Managers Ireland Limited	Daiwa Europe Trustees Ireland Limited
Monthly Dividend High Yield Fund	Daiwa Europe Fund Managers Ireland Limited	Daiwa Europe Trustees Ireland Limited
NatWest Umbrella Fund	Ulster Bank Investment Services Limited	Ulster Bank Custodial Services
NatWest/IFC Latin American Index Fund	Bank of Ireland Unit Managers Limited	Chase Manhattan Bank (Ireland) plc
New Asian Fund	Baring Mutual Fund Management (Ireland) Limited	Barings (Ireland) Limited
New Ireland Charity Fund Unit Trust	New Ireland Unit Trust Managers Limited	The Governor & Company of the Bank of Ireland
New Oriental Fund	KEB (Ireland) Fund Management Limited	KEB (Ireland) Custodial Services Limited
Nikko East Asia Fund	Chemical Ireland Fund Administrators Limited	Chemical Ireland Custody & Trustee Services Limited
Nomura Asset Management Global Investment Fund	Nomura Asset Management Ireland Limited	The Governor & Company of the Bank of Ireland
North American Property Securities Trust	Meespierson Fund Services (Dublin) Limited	Meespierson Investor Services (Dublin) Limited
Norwich Irish Managed Unit Trust	Norwich Union Finance (Ireland) Limited	The Governor & Company of the Bank of Ireland
Norwich Irish Property Unit Trust	Norwich Union Finance (Ireland) Limited	The Governor & Company of the Bank of Ireland
Norwich Irish Unit Trust	Norwich Union Finance (Ireland) Limited	The Governor & Company of the Bank of Ireland
Orient Express Fund	Ulster Bank Fund Services Limited	Ulster Bank Custodial Services
Pacific 21st Century Fund	AIB Fund Management Limited	Allied Irish Banks plc
Paribas Emerging Markets Index Allocation Fund	Paribas Asset Management (Ireland) Limited	Barings (Ireland) Limited
RMB Global Fund	RMB Asset Management (Ireland) Limited	Morgan Grenfell Custodial Services (Ireland) Limited.
Rouge	Societe Generale Alternative Investment (Ireland) Limited	FIMAT International Banque Dublin Branch
SG Prinvest Alternative	Societe Generale Alternative Investment (Ireland) Limited	FIMAT International Banque Dublin Branch
SIIM Asia Growth Fund	Morgan Grenfell Fund Managers (Ireland) Limited.	Morgan Grenfell Custodial Services (Ireland) Limited.
SJAM/Framlington Global Emerging Situations Fund	Framlington Investment Management (Ireland) Limited	Bermuda Trust (Dublin) Limited
Southern Selections Development Capital Fund	Southern Investment Services Limited	Ulster Bank Custodial Services
Sovereign Value Trust I	Morgan Grenfell Fund Managers (Ireland) Limited	Morgan Grenfell Custodial Services (Ireland) Limited

Name of Unit Trust	Name of Management Company	Name of Trustee
Sovereign Value Trust II	Morgan Grenfell Fund Managers (Ireland) Limited	Morgan Grenfell Custodial Services (Ireland) Limited
Strategic Global Fund	Morgan Grenfell Fund Managers (Ireland) Limited	Morgan Grenfell Custodial Services (Ireland) Limited
Summit Umbrella Trust	EBS Asset Managers Limited	Citibank Trustees (Ireland) Limited
Super Hedge Fund	Daiwa Europe Fund Managers Ireland Limited	Daiwa Europe Trustees Ireland Limited
Super Phoenix Fund	Morgan Grenfell Fund Managers (Ireland) Limited	Morgan Grenfell Custodial Services (Ireland) Limited
Super Phoenix Fund II	Morgan Grenfell Fund Managers (Ireland) Limited	Morgan Grenfell Custodial Services (Ireland) Limited
Super Venture Fund	BT Fund Managers (Ireland) Limited	BT Trustee Company (Ireland) Limited
Synthetic Korea Income Fund	KEB (Ireland) Fund Management Limited	KEB (Ireland) Custodial Services Limited
The Baring Currency Umbrella Fund	Baring International Fund Managers (Ireland) Limited	Barings (Ireland) Limited
The Baring Europe Select Feeder Fund	Baring International Fund Managers (Ireland) Limited	Barings (Ireland) Limited
The Baring Korea Feeder Fund	Baring International Fund Managers (Ireland) Limited	Barings (Ireland) Limited
The Baring Warrant Umbrella Fund	Baring International Fund Managers (Ireland) Limited	Barings (Ireland) Limited
The Elite Personal Portfolio Service	Old Mutual Fund Managers (Ireland) Limited	Citibank Trustees (Ireland) Limited
The Etron Fund	Dolmen Securities Limited	MeesPierson Investor Services (Dublin) Limited
The Global Bond Portfolio	Old Mutual Fund Managers Ireland Limited	Citibank Trust Ireland Limited
The ICC Venture Trust Fund	ICC Venture Capital Managers Limited	The Governor & Company of the Bank of Ireland
The New Morgan Grenfell Property Ventures Fund	Morgan Grenfell Asset Management (Ireland) Limited	Morgan Grenfell Custodial Services (Ireland) Limited
The Nomura Asset Management Institutional Global Trusts	Bank of Ireland Unit Managers Limited	The Governor & Company of The Bank of Ireland
The Salomon Euro Bond Fund	Salomon Brothers Asset Management (Ireland) Limited	Citibank Trustees (Ireland) Limited
The Taj Performance Fund	MeesPierson Fund Services (Dublin) Limited	Chase Manhattan Bank (Ireland) plc
Ulster Bank Fixed Interest Portfolios	Ulster Bank Fund Services Limited	Ulster Bank Custodial Services
Ulster Bank Global Strategy Fund	Ulster Bank Fund Services Limited	Ulster Bank Custodial Services
Yuki Taiwan Fund	Morgan Grenfell Fund Managers (Ireland) Limited	Morgan Grenfell Custodial Services (Ireland) Limited

APPENDIX 8

INVESTMENT BUSINESS FIRMS AUTHORISED BY C.B.I. UNDER SECTION 10 OF THE INVESTMENT INTERMEDIARIES ACT, 1995 AS AT 31 DECEMBER 1998

Name	
121 Financial Services Limited	ERC Management Services Limited
ABN Amro Corporate Finance (Ireland) Limited	ESB Fund Managers Limited
ABN-Amro International Financial Services Company	Estlander & Ronnlund Capital Management Limited
ACT Venture Capital Limited	Europlus Research & Management Limited
Acumen & Trust Limited	FBD International Financial Services
Addano Limited (Trading as Davy Moneybroking)	FDC Financial Services Limited
Advanced Trading Strategies Limited	First Choice Investments Limited
Aerfi Cash Manager Limited	Fitzgerald Brennan Asset Management Limited
Aerfi Cash Manager II Limited	Fortune Bay Trading Company Limited
AGF International Advisors Company Limited	Friends First Asset Management Limited
AIB Corporate Finance Limited	FTI Finance Limited
AIB Fund Management Limited	Furman Selz Financial Services
AIB International Financial Services Limited	Gaicorp Ireland Limited
AIB Investment Managers Limited	GAM Fund Management Limited
AIB/BNY Fund Management (Ireland) Limited	Gandon Capital Markets Limited
AIG Asset Management Services Limited	Gandon Financial Fund Management plc
AIG Global Investment Corporation (Ireland) Limited	Gandon International Management Services Limited
AIG Global Investment Trust Services Limited	Genesis Fund Management Limited
Allied Irish Capital Management Limited	Global Mutual Fund Services Limited
AndFinance Limited	Globevest Trust Limited
Anglo Irish International Financial Services Limited	Goodbody Corporate Finance Limited
Apax Partners & Co Capital Corporation Limited	GPSF Fund Management (Ireland) Limited
Bank of Ireland Administration Services Limited	Greenhouse Capital Management plc
Bank of Ireland Asset Management (US) Limited	Halidon Limited ¹
Bank of Ireland Asset Management Limited	GT Global Distributors Limited
Bank of Ireland International Finance Limited	Harvest Financial Services Limited
BAWAG International Finance Limited	Hemisphere Management (Ireland) Limited
BCP Asset Management Limited	Henderson Investment Services Ireland Limited
BES Management Limited	Hibernian Investment Managers Limited
BIL Fund Services (Dublin) Limited	Hob Ireland Limited
BISYS Fund Services (Ireland) Limited	ICC BES Managers Limited
BK Global Finance Limited	ICC Corporate Finance Limited
Brown Brothers Harriman Fund Administration Services (Ireland) Limited	IFAC Investment Services Limited
BT Fund Managers (Ireland) Limited	IG International Management Limited
Business and Trading House Investment Company Limited	International Fund Managers (Ireland) Limited
BV Financial (Ireland) Limited	International Fund Services (Ireland)
Caen Wood Limited ¹	International Investment & Underwriting Limited
Caradas Currency Brokers Limited	Investment Technology Group Limited
Cariverona Ireland Limited	Investment Technology Group Europe Limited
Castle Hill Fund Management Limited	Investors Fund Services (Ireland) Limited
CF Investment Managers Limited	Irish Life International Multi-Managers Limited
Chase Funds Management Services (Ireland) Limited	Irish Life Investment Managers Limited
Chemical Ireland Fund Administrators Limited	KEB (Ireland) Custodial Services Limited
Chemical Ireland Limited	KEB (Ireland) Fund Management Limited
CICM (Ireland) Limited	L&P Financial Services Limited
Citibank Investment Services Ireland Limited	L&P Financial Trustees Limited
Citicorp Finance Ireland Limited	Liberty Asset Management Limited (Trading as: Liberty Financial and as MMI Asset Management Limited)
Clydesdale Trustee and Custodial Services (Ireland) Limited	Management International (Dublin) Limited
Cormac A Crawford & Associates Limited	MeesPierson Fund Services (Dublin) Limited
Coronation Global Limited	MeesPierson Investor Services (Dublin) Limited
Coutts Fund Managers Limited	Mellon Fund Administration (Dublin) Limited
Custom House Capital Limited	Meridian Capital Markets Limited
Daiwa Europe Bank plc	Midland International Financial Services (Ireland) Limited
Davy Corporate Finance Limited	Midland Ireland Global Securities Services Limited
Davy International Limited	Money Markets International Limited
DCC Business Expansion Fund Limited	Montgomery Oppenheim Limited
Delta Partners Limited	Morgan Grenfell Asset Management (Ireland) Limited
Deutsche International Corporate Services (Ireland) Limited	Morgan Grenfell Fund Administration Services (Ireland) Limited
Dolmen Securities Limited	Morgan Grenfell Fund Managers (Ireland) Limited
Dresdner Asset Management Ireland Limited	MTH – Midas Trading House (Ireland) Limited
Dresdner International Management Services Limited	NCB Corporate Finance
Dublin Business Innovation Centre	NCB Moneybrokers Limited
Eagle Star International Services (Ireland) Limited	Olympia Capital (Ireland) Limited
Ebony Investments Limited	Oppenheim International Finance
Equinox Finance Limited ¹	PFPC International Limited
Equitas Investments Limited	Pioneer Management (Ireland) Limited
	RBS Administration Services Limited
	RBS Securities Services (Ireland) Limited

¹ Authorisation subsequently revoked

Name

Sagitta Asset Management (Dublin) Limited
Santander Financial Products Limited
Scout Investment Services Limited
SEI Investments – Global Fund Services Limited
Sedgwick Management Services (Ireland) Limited
Smurfit Paribas Investment Management Limited
Sumitomo Finance (Dublin) Limited
Swiss Re Investors (Ireland) Limited
TD Global Finance
Techinvest Limited
The Fifth ICC BES Fund Limited
The Fourth ICC BES Fund Limited
Tilman Asset Management Limited

Trinity Fund Administration Limited
Trinity Group Finance Limited
Ulster Bank Custodial Services
Ulster Bank Dublin Trust Company
Ulster Bank Investment Managers Limited
Ulster Bank Investment Services Limited
Ulster International Finance
Unison Financial Services (Dublin) Limited
Wintrust Limited²
Woodchester Investment Brokers Limited
Wuerttembergische Portfolio Management
Company Ireland Limited
Zurich Capital Markets Company

² This firm is no longer engaging in activities requiring a Section 10 authorisation. It now operates as a restricted activity investment product intermediary and its details also appear on the register maintained under Section 31 of the Act.

APPENDIX 9

AUTHORISED DESIGNATED INVESTMENT COMPANIES

Under the powers conferred on the Central Bank of Ireland by the Companies Act, 1990 Part XIII, the Bank has authorised the following schemes as investment companies designated under Section 256(5) of the Act as companies which may raise capital by promoting the sale of their shares to the public as follows:

Name of Company	Name of Management Company	Name of Trustee
Abbey National Dublin Investment Fund II plc	Scottish Mutual International Fund Managers Limited	Citibank Trustees (Ireland) Limited
Abbey National Dublin Investment Fund III plc	Scottish Mutual International Fund Managers Limited	Citibank Trustees (Ireland) Limited
Abbey National Dublin Investment Fund IV plc	Scottish Mutual International Fund Managers Limited	Citibank Trustees (Ireland) Limited
Abbey National Dublin Investment Fund plc	Scottish Mutual International Fund Managers Limited	Citibank Trustees (Ireland) Limited
Aberdeen Prolific Umbrella Cash Fund plc	Corestates Fund Management (Ireland) Limited	The Governor & Company of the Bank of Ireland
Advance Equity Linked No. 1 plc	–	Citibank Trustees (Ireland) Limited
Advance Equity Linked No. 2 plc	–	Citibank Trustees (Ireland) Limited
Aequilibrium Absolute Return Fund plc	–	MeesPierson Investor Fund Services (Dublin) Limited
AHL Alpha Fund plc	ED&F Man Fund Management Limited	Chase Manhattan Bank (Ireland) plc
AHL Diversified plc	ED&F Man Fund Management Limited	Chase Manhattan Bank (Ireland) plc
AIG International Funds plc	AIG Asset Management Limited	Morgan Grenfell Custodial Services (Ireland) Limited
AIG Multistrategy Investments plc	AIG Asset Management	AIG Global Investment
AIG-Hyperion PIBOR ABS Fund plc	AIG Asset Management Limited	Chase Manhattan Bank (Ireland) plc
Aix Fund plc	Societe Generale Alternative Investment (Ireland) Limited	FIMAT International Banque Dublin Branch
Al Meezan Commodity Fund plc	–	Chase Manhattan Bank (Ireland) plc
Alternative Investment Managers Selection plc	–	Bermuda Trust (Dublin) Limited
Amerindo Investment Advisors International Umbrella Fund plc	–	Barings (Ireland) Limited
AMI Value Protected Fund plc	Cresvale International Asset Management (Dublin) Limited	The Governor & Company of the Bank of Ireland
AMU Investment Fund plc	BT&T Asset Management (Ireland) Limited	The Governor & Company of the Bank of Ireland
Aon International Fund plc	–	The Governor & Company of the Bank of Ireland
Apollo Fund plc	–	Barings (Ireland) Limited
Aquarius Fund II plc	Societe Generale Alternative Investment (Ireland) Limited	FIMAT International Banque Dublin Branch
Aquarius Fund plc	Societe Generale Alternative Investment (Ireland) Limited	FIMAT International Banque Dublin Branch
Arbat Arbitrage Fund plc	–	MeesPierson Investor Services (Dublin) Limited
Archer Fund plc	Societe Generale Alternative Investment (Ireland) Limited	FIMAT International Banque Dublin Branch

Name of Company	Name of Management Company	Name of Trustee
Argenta European Hedge Fund plc	–	Barings (Ireland) Limited
Aries Fund plc	Societe Generale Alternative Investment (Ireland) Limited	FIMAT International Banque Dublin Branch
Asia Dynamic Growth Fund plc	–	Morgan Grenfell Custodial Services (Ireland) Limited
Asian Diversified Equity Fund plc	–	Morgan Grenfell Custodial Services (Ireland) Limited
Asian Gateway Fund plc	–	Allied Irish Banks plc
Astaris plc	Societe Generale Alternative Investment (Ireland) Limited	FIMAT International Banque Dublin Branch
Axa New Horizon Fund plc	–	MeesPierson Investor Services (Dublin) Limited
Baltics Small Equity Fund plc	–	Investors Trust & Custody Services (Ireland) Limited
BAM Investment Fund plc	BT&T Asset Management (Ireland) Limited	The Governor & Company of the Bank of Ireland
Barclays Global Investors Secured Equity Fund II plc	–	RBS Securities Services (Ireland) Limited
Barclays International Korea Fund plc	–	The Governor & Company of the Bank of Ireland
BAS – Ex US\$ Currency Fund plc	–	Morgan Grenfell Custodial Services (Ireland) Limited
Bas-Ex Currency Fund plc	–	Morgan Grenfell Custodial Services (Ireland) Limited
Beaune Fund plc	Societe Generale Alternative Investment (Ireland) Limited	FIMAT International Banque Dublin Branch
Berkshire KIIC Growth Fund plc	–	Bermuda Trust (Dublin) Limited
Berkshire Korea Fund plc	–	Bermuda Trust (Dublin) Limited
BIAM Investments plc	–	The Governor & Company of the Bank of Ireland
Blevins Franks International Investments plc	Blevins Franks Managers Ireland Limited	RBS Securities Services (Ireland) Limited
Blois Fund plc	Societe Generale Alternative Investment (Ireland) Limited	FIMAT International Banque Dublin Branch
Bordier Invest Korea Fund plc	Bordier Invest (Ireland) Limited	BT Trustee Company (Ireland) Limited
BT&T Investment Fund plc	BT&T Asset Management (Ireland) Limited	The Governor & Company of the Bank of Ireland
Calfund plc	–	Morgan Grenfell Custodial Services (Ireland) Limited
Capital Balanced Fund plc	–	KEB (Ireland) Custodial Services Limited
Capital Investment Group plc	–	Morgan Grenfell Custodial Services (Ireland) Limited
Capital Vision Fund plc	–	Morgan Grenfell Custodial Services (Ireland) Limited
Capricorn Fund II plc	Societe Generale Alternative Investment (Ireland) Limited	FIMAT International Banque Dublin Branch
Capricorn Fund IV plc	Societe Generale Alternative Investment (Ireland) Limited	FIMAT International Banque Dublin Branch

Name of Company	Name of Management Company	Name of Trustee
Capricorn Fund plc	Societe Generale Alternative Investment (Ireland) Limited	FIMAT International Banque Dublin Branch
Castel Fund plc	Societe Generale Alternative Investment (Ireland) Limited	FIMAT International Banque Dublin Branch
CB Vermögensverwaltung plc	CICM Fund Management Limited	Allied Irish Banks plc
Central Asia Regional Growth Fund plc	Global Euro-Asia Investment Management Limited	MeesPierson Investor Services (Dublin) Limited
Chase Institutional Investment plc	–	Investors Trust and Custodial Services (Ireland) Limited
Chase Manhattan Vista Funds plc	–	Chase Manhattan Bank (Ireland) plc
Chinon Fund plc	Societe Generale Alternative Investment (Ireland) Limited	FIMAT International Banque Dublin Branch
CICM Global Portfolios plc	CICM Fund Management Limited	Allied Irish Banks plc
CIPM Global Fund plc	–	Barings (Ireland) Limited
CITC Balanced Fund plc	–	BT Trustee Company (Ireland) Limited
CITC Select Fund plc	–	BT Trustee Company (Ireland) Limited
CITI Institutional Liquidity Fund plc	–	Citibank Trustees (Ireland) Limited
CL Managed Futures Fund plc	–	Bermuda Trust (Dublin) Limited
Colorado Commodities Ireland Fund plc	–	MeesPierson Investor Services (Dublin) Limited
Commodities Corporation International plc	–	MeesPierson Investor Services (Dublin) Limited
Commodity Exposure Fund plc	Societe Generale Alternative Investment (Ireland) Limited	FIMAT International Banque Dublin Branch
Communications and Technology Fund plc	BT&T Asset Management (Ireland) Limited	The Governor & Company of the Bank of Ireland
Controlfida Base Fixed Income Fund plc	Controlfida Management Company Limited	Barings (Ireland) Limited
Controlfida Investment Fund plc	Controlfida Management Company Limited	Barings (Ireland) Limited
Controlfida SuperSwiss Fund plc	Controlfida Management Company Limited	Barings (Ireland) Limited
Cowen Enterprise Global Healthcare Fund plc	–	MeesPierson Investor Services (Dublin) Limited
CPR Multi-Fonds plc	–	Allied Irish Banks plc
CTC Global Fund plc	–	MeesPierson Investor Services (Dublin) Limited
Daiwa Alternative Investments PLC	–	Daiwa Europe Trustees Ireland Limited
DB Brazil Investment Fund plc	Deutsche Morgan Grenfell Corporate Services (Ire) Limited	Morgan Grenfell Custodial Services (Ireland) Limited
Delfin Global Funds plc	Emerging World Asset Management Limited	Barings (Ireland) Limited
Delphi Funds plc	–	Citibank Trustees (Ireland) Limited
Derivative Market Fund plc	–	MeesPierson Investor Services (Dublin) Limited
Dijon Fund plc	Societe Generale Alternative Investment (Ireland) Limited	FIMAT International Banque Dublin Branch

Name of Company	Name of Management Company	Name of Trustee
Discoverer Umbrella Fund plc	–	Allied Irish Banks plc
DITC Balanced Fund plc	–	Ulster Bank Custodial Services
dSAM Global Value Fund II plc	–	BT Trustee Company (Ireland) Limited
Dynamic Pacific Portfolio Fund plc	Morgan Grenfell Fund Management (Ireland) Limited	Morgan Grenfell Custodial Services (Ireland) Limited
Eastern Gate Fund plc	–	MeesPierson Investor Services (Dublin) Limited
EDM Investment Funds plc	–	Ulster Bank Custodial Services
Espirito Santo Funds of Funds plc	Espirito Santo Capital Management (Ireland) Limited	Chase Manhattan Bank (Ireland) plc
Etoile Fund plc	Societe Generale Alternative Investment (Ireland) Limited	FIMAT International Banque Dublin Branch
European Financial Equities plc	–	Chase Manhattan Bank (Ireland) plc
F & C Middle East and North Africa Investment Company plc	–	Chase Manhattan Bank (Ireland) plc
Falcon Market Fund plc	–	Barings (Ireland) Limited
Fedsure International Global Funds plc	Irish Life International Fund Managers Limited	PFPC Trustee & Custodial Services Limited
FFTW – Freddie Mac Gold PC Mortgage LIBOR Fund plc	–	Investors Trust & Custodial Services (Ireland) Limited
FFTW Emerging Market Debt Fund plc	–	Investors Trust and Custodial Services (Ireland) Limited
FFTW Global Debt Fund plc	–	Investors Trust and Custodial Services (Ireland) Limited
FFTW Mortgage Libor Fund plc	–	Investors Trust & Custodial Services (Ireland) Limited
FFTW Mortgage Total Return Fund plc	–	Investor Trust & Custodial Services (Ireland) Limited
Fiduciary Emerging Markets Bond Fund plc	Fiduciary International Ireland Limited	Investors Trust & Custodial Services (Ireland) Limited
Financial Equity Plus I plc	–	The Governor & Company of the Bank of Ireland
Financial Equity Plus II plc	–	The Governor & Company of the Bank of Ireland
Financial Equity Plus III plc	–	The Governor & Company of the Bank of Ireland
Foreign & Colonial Emerging High Yield Investment Company plc	–	The Governor & Company of the Bank of Ireland
Foreign & Colonial Romanian Investment Company plc	–	Brown Brothers Harriman Trustee Services (Ireland) Limited
ForexConcept Fund plc	–	Investors Trust & Custodial Services (Ireland) Limited
Frank Russell Institutional Funds plc	Frank Russell Investments (Ireland) Limited	BT Trustee Company (Ireland) Limited
Frank Russell Qualifying Investor Fund plc	Frank Russell Investments (Ireland) Limited	BT Trustee Company (Ireland) Limited

Name of Company	Name of Management Company	Name of Trustee
Gamma Capital Funds plc	–	Investors Trust & Custodial Services (Ireland) Limited
Gandon Global Financial Fund plc	Gandon Financial Fund Management Limited	MeesPierson Investor Services (Dublin) Limited
Gartmore Korea Fund plc	–	Ulster Bank Custodial Services
Gather Fund plc	Societe Generale Alternative Investment (Ireland) Limited	FIMAT International Banque Dublin Branch
Gem International Fund plc	FG Asset Management (Ireland) Limited	BT Trustee Company (Ireland) Limited
Gemini Fund plc	Societe Generale Alternative Investment (Ireland) Limited	FIMAT International Banque Dublin Branch
GLG Global Convertible Fund plc	GLG Partners Asset Management Limited	Allied Irish Banks plc
GLG Investments II plc	GLG Partners Asset Management Limited	Allied Irish Banks plc
Global Trading Fund I plc	Societe Generale Alternative Investment (Ireland) Limited	FIMAT International Banque Dublin Branch
GMO Global Bond Fund plc	–	Brown Brothers Harriman Trustee Services (Ireland) Limited
GMO Global Funds plc	GMO Fund Managers Ireland Limited	Brown Brothers Harriman Trustee Services (Ireland) Limited
Golden Orchid Fund plc	Golden Mountain Trading (Ireland) Limited	Chemical Ireland Custody and Trustee Services Limited
Gordon House Optimal Services Fund plc	–	MeesPierson Investor Services (Dublin) Limited
GT Emerging Markets Bond Fund plc	GT Asset Management Limited	Chase Manhattan Bank (Ireland) plc
Hambros Commodities Fund plc	Hambros Fund Managers (Ireland) Limited	Barings (Ireland) Limited
Hamilton Lane Private Equity Fund plc	–	MeesPierson Investor Services (Dublin) Limited
HSBC Fixed Income 1 plc	Midland International Financial Services (Ireland) Limited	Midland Ireland Global Securities Services Limited
HSBC International Equity Plus 2 plc	Midland International Financial Services (Ireland) Limited	Midland Ireland Global Securities Services Limited
HSBC International Equity Plus 3 plc	Midland International Financial Services (Ireland) Limited	Midland International Global Securities Services Limited
HSBC International Equity Plus 4 plc	Midland International Financial Services	Midland Ireland Global Securities Services Limited
HSBC International Equity Plus 5 plc	Midland International Financial Services (Ireland) Limited	Midland Ireland Global Securities Services Limited
HSBC International Equity Plus 6 plc	Midland International Financial Services (Ireland) Limited	Midland Ireland Global Securities Services Limited
HSBC International Equity Plus 7 plc	Midland International Financial Services (Ireland) Limited	Midland Ireland Global Securities Services Limited
HSBC International Equity Plus I plc	Midland International Financial Services (Ireland) Limited	Midland Ireland Global Securities Services Limited
HSBC UK Equity Plus 111 plc	Midland International Financial Services (Ireland) Limited	Midland Ireland Global Securities Services Limited
HSBC UK Equity Plus II plc	Midland International Financial Services (Ireland)	Midland Ireland Global Securities Services Limited

Name of Company	Name of Management Company	Name of Trustee
HSBC UK Equity Plus IV plc	Midland International Financial Services (Ireland) Limited	Midland Ireland Global Securities Services Limited
HSBC UK Equity Plus plc	Midland International Financial Services	Midland Ireland Global Securities Services Limited
HSBC UK Equity Plus V plc	Midland International Financial Services (Ireland) Limited	Midland Ireland Global Securities Services Limited
HSBC UK Equity Plus VI plc	Midland International Financial Services (Ireland) Limited	Midland Ireland Global Securities Services Limited
HSBC UK Equity Plus VII plc	Midland International Financial Services (Ireland) Limited	Midland Ireland Global Securities Services Limited
HSBC UK Equity Plus VIII plc	Midland International Financial Services (Ireland) Limited	Midland Ireland Global Securities Services Limited
HSBC UK Equity Protector I plc	Midland International Financial Services (Ireland) Limited	Midland Ireland Global Securities Services Limited
HSBC UK Equity Protector II plc	Midland International Financial Services (Ireland) Limited	Midland Ireland Global Securities Services Limited
HSBC UK Income 1 plc	Midland International Financial Services (Ireland) Limited	Midland Ireland Global Securities Services Limited
HSBC UK Income 2 plc	Midland International Financial Services (Ireland) Limited	Midland Ireland Global Securities Services Limited
HSBC UK Income 3 plc	Midland International Financial Services (Ireland) Limited	Midland Ireland Global Securities Services Limited
ICFI Corporate Securities Fund plc	–	MeesPierson Investor Services (Dublin) Limited
IIBU Fund 1 plc	–	Barings (Ireland) Limited
IIBU Fund II plc	–	Barings (Ireland) Limited
Independent Strategy European Fund plc	–	MeesPierson Investor Services (Dublin) Limited
Investment Plus plc	–	Investors Trust & Custodial Services (Ireland) Limited.
Investment Strategies Fund plc	F G Asset Management Ireland Limited	BT Trustee Company (Ireland) Limited
Irish Iberian Fund plc	AIG Asset Management Limited	The Governor & Company of the Bank of Ireland
Irish Life International Global Funds plc	Irish Life International Fund Managers Limited	PFPC Trustee and Custodial Services Limited
Johnson Fry 20/20 Hindsight plc	–	BT Trustee Company (Ireland) Limited
Johnson Fry Safeguard plc	–	BT Trustee Company (Ireland) Limited
Johnson Fry Superchip plc	–	BT Trustee Company (Ireland) Limited
KIME Far East Fund plc	–	Ulster Bank Custodial Services
KIME Korea Fund plc	Morgan Grenfell Asset Management (Ireland) Limited	Morgan Grenfell Custodial Services (Ireland) Limited
Kleinwort Benson Bond Arbitrage Fund plc	–	Barings (Ireland) Limited
Kleinwort Benson Derivative Products Fund plc	–	Barings (Ireland) Limited
Kleinwort Benson Libor Plus 200 Fund plc	Kleinwort Benson Capital Management (Ireland) Limited	Chase Manhattan Bank (Ireland) plc

Name of Company	Name of Management Company	Name of Trustee
Kleinwort Benson Libor Plus Fund plc	Kleinwort Benson Capital Management (Ireland) Limited	Chase Manhattan Bank (Ireland) plc
Kleinwort Benson Symmetric Strategy Fund plc	—	Chase Manhattan Bank (Ireland) plc
Korea Bond Fund Plc	—	Morgan Grenfell Custodial Services (Ireland) Limited
Korea CB Fund plc	—	Morgan Grenfell Custodial Services (Ireland) Limited
Korea Gallop Fund plc	—	Morgan Grenfell Custodial Services (Ireland) Limited
Korea Golden Dynasty Fund plc	—	Morgan Grenfell Custodial Services (Ireland) Limited
Korea Growth Yield Fund plc	—	KEB (Ireland) Custodial Services Limited
Korea Leverage Fund plc	—	KEB (Ireland) Custodial Services Limited
Korea Select Bond Fund plc	—	KEB (Ireland) Custodial Services Limited
Korea Special Opportunities Fund plc	Oriens Capital (Ireland) Limited	Barings (Ireland) Limited
Korea Strategic Investment Fund plc	—	Chemical Ireland Custody and Trustee Services Limited
Korea Super Fund plc	—	Barings (Ireland) Limited
Korean Emerging Growth Fund plc	—	Allied Irish Banks plc
La Seine Fund plc	Societe Generale Alternative Investment (Ireland) Limited	FIMAT International Banque Dublin Branch
Lazard Strategic Yield Fund plc	Lazard Investment Funds Limited	The Governor & Company of the Bank of Ireland
Legal & General European Extra Growth III plc	—	Midland Ireland Global Securities Services Limited
Legal & General European Extra Growth plc	—	Midland Ireland Global Securities Services Limited
Legal & General European Growth II plc	—	Midland Ireland Global Securities Services Limited
Legal & General International Growth plc	—	Midland Ireland Global Securities Services Limited
Legal & General UK Extra Growth II plc	—	Midland Ireland Global Securities Services Limited
Legal & General UK Extra Growth III plc	—	Midland Ireland Global Securities Services Limited
Legal & General UK Extra Growth plc	—	Midland Ireland Global Securities Services Limited
Leo Fund plc	Societe Generale Alternative Investment (Ireland) Limited	FIMAT International Banque Dublin Branch
Libra Fund plc	Societe Generale Alternative Investment (Ireland) Limited	FIMAT International Banque Dublin Branch
Lince Hedge Fund plc	Emerging World Asset Management Limited	Barings (Ireland) Limited
Loire Fund plc	Societe Generale Alternative Investment (Ireland) Limited	FIMAT International Banque Dublin Branch
Longchamp Fund plc	Societe Generale Alternative Investment (Ireland) Limited	FIMAT International Banque Dublin Branch

Name of Company	Name of Management Company	Name of Trustee
Loomis Sayles International Funds plc	–	The Governor & Company of the Bank of Ireland
Lyon Fund plc	Societe Generale Alternative Investment (Ireland) Limited	FIMAT International Banque Dublin Branch
Marriott Singer Investment Funds plc	Singer & Friedlander Total Asset Management Limited	Chase Manhattan Bank (Ireland) plc
Matrix Fund Company plc	–	Bermuda Trust (Dublin) Limited
Maxime Fund plc	Societe Generale Alternative Investment (Ireland) Limited	FIMAT International Banque Dublin Branch
MCIV Multicurrency Funds plc	State Street Ireland Limited	The Governor & Company of the Bank of Ireland
Medoc Fund plc	Societe Generale Alternative Investment (Ireland) Limited	FIMAT International Banque Dublin Branch
Mont Blanc Trading plc	Societe Generale Alternative Investment (Ireland) Limited	FIMAT International Banque Dublin Branch
Morgan Grenfell Cash and Money Market Fund plc	Morgan Grenfell Asset Management (Ireland) Limited	Morgan Grenfell Custodial Services (Ireland) Limited
Morgan Grenfell Fixed Income Funds plc	Morgan Grenfell Asset Management (Ireland) Limited	Morgan Grenfell Custodial Services (Ireland) Limited
Morgan Grenfell Profunds plc	Morgan Grenfell Asset Management (Ireland) Limited	Morgan Grenfell Custodial Services (Ireland) Limited
Muscovy Frontiers Fund plc	–	Barings (Ireland) Limited
NatWest Korea Fund plc	Ulster Bank Investment Services	Ulster Bank Custodial Services
NatWest Liquidity Fund plc	Ulster Bank Investment Services	Ulster Bank Custodial Services
New Energy and Power Investment Company plc	–	Allied Irish Banks plc
New Target Fund plc	–	Bermuda Trust (Dublin) Limited
NM First Korean Fund plc	–	Bermuda Trust (Dublin) Limited
North American Income Fund plc	Deutsche Morgan Grenfell Corporate Services (Ire) Limited	Morgan Grenfell Custodial Services (Ireland) Limited
North Stock Company plc	–	Morgan Grenfell Custodial Services (Ireland) Limited
Northern Trust Global Funds plc	Northern Trust Fund Managers (Ireland) Limited	Morgan Grenfell Custodial Services (Ireland) Limited
Omega Trust Umbrella Fund plc	–	Bermuda Trust (Dublin) Limited
Oriens Korea Bond Fund plc	Oriens Capital (Ireland) Limited	Barings (Ireland) Limited
Panda International plc	Panda Management (Ireland) Limited	Allied Irish Banks plc
Pareto Partners Umbrella Fund plc	Pareto Asset Management (Ireland) Limited	The Governor & Company of the Bank of Ireland
Parex First Umbrella Fund plc	Parex Asset Management Company Limited	Investors Trust & Custodial Services (Ireland) Limited
Payden & Rygel International Bond Fund plc	–	Ulster Bank Custodial Services
Petercam Growth Fund plc	–	Ulster Bank Custodial Services

Name of Company	Name of Management Company	Name of Trustee
Pioneer DM CashFonds plc	Pioneer Management (Ireland) Limited	Brown Brothers Harriman Trustee Services (Ireland) Limited
Pommard Fund plc	Societe Generale Alternative Investment (Ireland) Limited	FIMAT International Banque Dublin Branch
Portman Asset Management Funds plc	—	Barings (Ireland) Limited
Portman Master Fund plc	—	Barings (Ireland) Limited
Portuguese Equities Fund plc	—	Bermuda Trust (Dublin) Limited
Prime Korea Fund plc	—	Allied Irish Banks plc
Prudential-Bache International Futures Fund F plc	—	MeesPierson Investor Services Dublin) Limited
Prudential-Bache International Futures Fund A plc	—	MeesPierson Investor Services (Dublin) Limited
Prudential-Bache International Futures Fund B plc	—	MeesPierson Investor Services (Dublin) Limited
Prudential-Bache International Futures Fund C plc	—	MeesPierson Investor Services (Dublin) Limited
Prudential-Bache International Futures Fund D plc	—	MeesPierson Investor Services (Dublin) Limited
Prudential-Bache International Futures Fund E plc	—	MeesPierson Investor Services (Dublin) Limited
Quetzal High Yield Fund plc	Emerging World Asset Management Limited	Barings (Ireland) Limited
RBE Ijara Fund plc	—	Barings (Ireland) Limited
Reims Fund plc	Societe Generale Alternative Investment (Ireland) Limited	FIMAT International Banque Dublin Branch
Relative Value Fund plc	Scottish Value Management (Ireland) Limited	RBS Securities Services (Ireland) Limited
Romanian Growth Fund plc	Global Euro-Asia Investment Management Limited	Bermuda Trust (Dublin) Limited
Roy G Niederhoffer Fund (Ireland) plc	R G Niederhoffer Capital Management (Ireland) Limited	MeesPierson Investor Services (Dublin) Limited
Salomon Brothers Funds plc	—	Chase Manhattan Bank (Ireland) plc
Samsung Yamaichi Asia Growth Fund plc	—	Chemical Ireland Custody and Trustee Services Limited
Sanlam Dublin Fund plc	Sanlam Asset Management (Dublin) Limited	BT Trustee Company (Ireland) Limited
Satellite Technology and Communications Fund plc	BT&T Asset Management (Ireland) Limited	The Governor & Company of the Bank of Ireland
SBC CAPM Strategies plc	—	The Governor & Company of the Bank of Ireland
Schroder Russian Region Fund plc	Schroder Investment Management (Ireland) Limited	Chase Manhattan Bank (Ireland) plc
Scottish Widows U.K. Stock Market Growth plc	—	Midland Ireland Global Securities Services Limited
SEC Traded Endowment Fund plc	—	Barings (Ireland) Limited
SEI Global Master Fund plc	c/o SE2 Fund Resources International Limited	Morgan Grenfell Custodial Services (Ireland) Limited
Selected European Equities Fund plc	—	Morgan Grenfell Custodial Services (Ireland) Limited

Name of Company	Name of Management Company	Name of Trustee
SGFAM Forex Trading plc	Societe Generale Alternative Investment (Ireland) Limited	FIMAT International Banque Dublin Branch
SGFAM JPY Diversified plc	Societe Generale Alternative Investment (Ireland) Limited	FIMAT International Banque Dublin Branch
SGFAM Premium Diversified plc	Societe Generale Alternative Investment (Ireland) Limited	FIMAT International Banque Dublin Branch
SGFAM Strategy Fund plc	Societe Generale Alternative Investment (Ireland) Limited	FIMAT International Banque Dublin Branch
Singer & Friedlander "Closed" Funds plc	Singer & Friedlander Total Asset Management Limited	Chase Manhattan Bank (Ireland) plc
Smith Barney Campbell Financial, Metals, and Energy Fund plc	Smith Barney (Ireland) Limited	Investors Trust & Custodial Services (Ireland) Limited
Smith Barney John W. Henry & Company Inc, Original Fund plc	Smith Barney (Ireland) Limited	Investors Trust & Custodial Services (Ireland) Limited
Smith Barney Overview Fund plc	Smith Barney (Ireland) Limited	Chemical Ireland Custody & Trustee Services Limited
Smith Barney Sheridan Interestplus Fund plc	Smith Barney (Ireland) Limited	Investors Trust & Custodial Services (Ireland) Limited
Smith Barney SJÖ Global Diversified Fund plc	Smith Barney (Ireland) Limited	Investors Trust & Custodial Services (Ireland) Limited
Smith Barney SJÖ International Fixed Income Fund plc	Smith Barney (Ireland) Limited	Investors Trust & Custodial Services (Ireland) Limited
Smith Barney Webster Management Diversified Plus Fund plc	Smith Barney (Ireland) Limited	Investors Trust & Custodial Services (Ireland) Limited
South American Income Fund plc	Deutsche Morgan Grenfell Corporate Services (Ire) Limited	Morgan Grenfell Custodial Services (Ireland) Limited
SSgA Cash Management Fund plc	–	Chase Manhattan Bank (Ireland) plc
SSgA GAMMA Fund plc	State Street Global Advisors Ireland Limited	The Governor & Company of the Bank of Ireland
Star MM Funds plc	–	Meespierson Investor Services (Dublin) Limited
Stryx Funds plc	Seilern Investment Management (Ireland) Limited	Bermuda Trust (Dublin) Limited
Sunrise Fund plc	–	MeesPierson Investor Services (Dublin) Limited
SVM Highlander Fund plc	Scottish Value Management (Ireland) Limited	RBS Securities Services (Ireland) Limited
Swiss Bank Corporation Derivative Portfolios plc	–	Chase Manhattan Bank (Ireland) plc
Taurus Fund plc	Societe Generale Alternative Investment (Ireland) Limited	FIMAT International Banque Dublin Branch
Technology 2000 Fund plc	–	Investor Trust & Custodial Services (Ireland) Limited
TEI Fund plc	–	The Governor & Company of the Bank of Ireland
The 3D Fund plc	–	Chase Manhattan Bank (Ireland) plc
The Baring Umbrella Fixed Income Fund plc	Baring Mutual Fund Management (Ireland) Limited	Barings (Ireland) Limited
The CFP Interest Rate Arbitrage Fund plc	–	Barings (Ireland) Limited

Name of Company	Name of Management Company	Name of Trustee
The East Europe Frontiers Fund plc	AIM Global Management Company Limited	Barings (Ireland) Limited
The GNI Foreign Exchange Fund plc	GNI Fund Management (Ireland) Limited	Barings (Ireland) Limited
The GNI Global Financial Fund Ireland plc	GNI Fund Management (Ireland) Limited	Barings (Ireland) Limited
The Golden Gate Fund plc	Kyte Fund Management (Ireland) Limited	MeesPierson Investor Services (Dublin) Limited
The Hansberger Global Fund plc	Hansberger Global Investors Limited	Chase Manhattan Bank (Ireland) plc
The Korea Growth Geared Fund plc	Korea Investment Management Ireland Limited	Ulster Bank Custodial Services
The New Ukraine Black Sea Investment Company plc	–	Bermuda Trust (Dublin) Limited
The Paribas Multi-Manager Global Fund plc	–	Morgan Grenfell Custodial Services (Ireland) Limited
The Pinnacle Fund plc	–	Bermuda Trust (Dublin) Limited
The Siberian Investment Company plc	–	Barings (Ireland) Limited
The Stryx Global Fund plc	Seilern Investment Management (Ireland) Limited	Bermuda Trust (Dublin) Limited
The Swiss Franc Global Currency Fund plc	Millennium Asset Management (Ireland) Limited	Chemical Custody and Trustee Services Limited
The Swiss Market Index Quant Fund plc	Millennium Asset Management (Ireland) Limited	Chemical Ireland Custody and Trustee Services Limited
The USS Global Currency Fund plc	Millennium Asset Management (Ireland) Limited	Chemical Ireland Custody and Trustee Services Limited
The Yellow Sea Investment Company plc	–	MeesPierson Investor Services (Dublin) Limited
Topiary Fund (Ireland) plc	–	MeesPierson Investor Services (Dublin) Limited
Tours Fund plc	Societe Generale Alternative Investment (Ireland) Limited	FIMAT International Banque Dublin Branch
Turkish Smaller Companies Fund plc	Global Euro-Asia Investment Management Limited	Bermuda Trust (Dublin) Limited
UAL International Funds plc	–	Chase Manhattan Bank (Ireland) plc
Ulsan Fund plc	–	KEB (Ireland) Custodial Services Limited
US Financial Equities plc	–	Chase Manhattan Bank (Ireland) plc
US Value Investment Company plc	Singer & Friedlander Total Asset Management Limited	Chase Manhattan Bank (Ireland) plc
Virgo Fund plc	Societe Generale Alternative Investment (Ireland) Limited	FIMAT International Banque Dublin Branch
Wellington Management Portfolios (Dublin) plc	–	The Governor & Company of the Bank of Ireland
Worldwide Opportunity Fund plc	–	Allied Irish Banks plc
WP Stewart Global Funds plc	WP Stewart Fund Management Limited	Bermuda Trust (Dublin) Limited
Yamaichi International Investments plc	–	BT Trustee Company (Ireland) Limited
Yasuda Portfolio Fund plc	–	Citibank Trustees (Ireland) Limited
Zurich Global Umbrella Fund plc	Zurich Investment Management (Dublin) Limited	The Governor & Company of the Bank of Ireland

APPENDIX 10

AUTHORISED NON-DESIGNATED INVESTMENT COMPANIES

Under the powers conferred on the Central Bank of Ireland by the Companies Act, 1990 Part XIII, the Bank has authorised, up to 31 December 1998, the following schemes as non-designated investment companies under Section 256 of the Act. These companies may not raise capital by promoting the sale of their shares to the public.

Name of Company

Aesthetic Investments Fund plc
Altius Fund plc
Ashdowne Investment Company Ireland Limited
Asia Growth Fund plc
Asia Midas Fund plc
Asia Pacific Highlight Fund plc
Asia Portfolio Fund plc
Asia Ultra Fund plc
CTIC Frontier Fund
Clare Institutional Investments Limited
Corsec Fund plc
DB Foreign Lease Limited
Dedalus Securities Trading Company Limited
DITC WIN Fund plc
Dragon Korea Fund plc
Ecurent I Securities Trading Company Limited
Emerging Market Growth Fund plc
Europa Re International Limited
Evergreen Korea Fund plc
Excel Korea Fund plc
Galway Institutional Investments Limited
Gulfstream Securities Trading Company Limited
KI Limited
Korea Bull Fund plc
Korea Gearing Fund plc
Korea Index Fund plc
Korea Plus Fund plc
Korea Sprint Fund plc
Lauterberg Securities Trading Company Limited
Liffey Securities Trading Company Limited
Limerick Institutional Investments Limited
Mayo Institutional Investments Limited
Meininger Securities Trading Company Limited
Nordinvest Securities Trading Company Limited
Olearius Securities Trading Company Limited
Olympus Fund plc
Orient Balanced Fund plc
Pacific Growth Fund plc
Primus Fund plc
Rhein II Securities Trading Company Limited
Rheinboden Investment Company Limited
Roscommon Institutional Investments Limited
Seoul Premium Fund plc
Starlight Securities Trading Company Limited
Stellar Fund plc
The Asia Emerging Market Fund plc
The Emerging Dynamic Fund plc
The First Chesapeake Property Finance Fund plc
The Second Chesapeake Property Finance Fund plc
The Third Chesapeake Property Finance Fund plc
Trans Fund plc
Value Express Fund plc
Wexford Institutional Investments Limited
WHI Securities Trading Company Limited
Wuerttembergische Investment Co (Ire) Limited

APPENDIX 11

Building Societies – Aggregate Statistical Data¹

Liquid Assets

Table 1

	31 December 1998	31 December 1997
	£ Million	£ Million
Liquid Assets ²	1,930.7	1,605.0
Borrowings ³	6,311.3	5,001.0
	%	%
Liquid Assets as a percentage of Total Borrowings	30.6	32.1

¹ All items have been calculated on a consolidated basis. The figures exclude Norwich Irish Building Society (NIBS) and First National Building Society (FNBS) – by way of transfer of engagements from NIBS to EBS and the conversion of FNBS to plc status (First Active)

² Cash, bank balances, investments and accrued interest.

³ Shares, deposits and other borrowings and accrued interest.

Own Funds

Table 2

	31 December 1998	31 December 1997
	£ Million	£ Million
Own Funds	451.0	380.6
Total Assets	6,977.7	5,570.5
Risk Assets ⁴	3,211.5	2,533.9
	%	%
Own Funds as a percentage of Total Assets	6.5	6.8
Own Funds as a percentage of Risk Assets	14.0	15.0

⁴ Calculated in accordance with the Bank's Notice of 16 July 1991 implementing the EC Own Funds and Solvency Ratio Directives.

Shares and Deposits**Table 3**

	31 December 1998	31 December 1997
Number of Shareholders and Depositors	798,982	760,487
	£ Million	£ Million
Total Shares and Deposits	6,178.9	5,011.4
	£	£
Average Holding	7,733	6,590

Management Expenses**Table 4**

	1998		1997	
	£'000	Per Cent of Total	£'000	Per Cent of Total
Remuneration of Directors	1,897	2.9	1,824	3.1
Remuneration of Staff	32,397	48.9	28,293	47.8
Remuneration of Auditors	120	0.2	112	0.2
Bad Debt Charge for the Year	2,857	4.3	3,850	6.5
Other Expenses	28,960	43.7	25,088	42.4
Total Management Expenses	66,231	100.0	59,167	100.0
Percentage increase/decrease in Total Management Expenses over previous year		%		%
		11.9		4.8

Central Bank of Ireland

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