

Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem



**Central Bank
of Ireland
Strategic Plan
2010 - 2012**

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EXECUTIVE SUMMARY

What's New?

Refocused approach to strengthening the financial system

- Integrated micro-macro approach to assessing systemic financial stability and heading off emerging issues
- Ensure that banks meet credible new capital requirements (taking full account of expected losses and tough stress scenario) enabling them to recover market confidence and the capacity to fund themselves
- Manage transition from current government guarantee
- Implementation of a new approach to banking supervision

Developing a new regulatory model: Enhanced supervisory capacity for detection and correction of problems

- Active, open and challenging supervisory engagement with firms to ensure that risks are fully understood and sufficiently mitigated
- Pro-active assessment of total business risk, not just controls and rules
- Regulatory approach will target increased supervisory resources and impose requirements in a way that is proportionate to risk
- A shift in the approach toward presumption of more vigorous enforcement backed by sufficient resources to represent a credible threat of action

Interacting with new EU supervisory bodies and implementing new regulatory directives

- Wholehearted engagement with European Systemic Risk Board and European System of Financial Supervisors
- Transposition/application of evolving international reforms in regulation including new EU directives for banking, insurance and funds industry

Building on consumer protection

- Review Consumer Protection Code and Minimum Competency Requirements
- Make changes to the Mortgage Arrears Code and undertake work on consumer indebtedness
- Ensure backlog of overcharging cases are resolved quickly

Economic analysis

- Greater attention in economic research on functioning of the financial system (including credit, indebtedness)
- Fuller collaborative engagement with economists in universities, ESRI and wider public service

Payments and Currency

- Play a strong role in the development of a National Payments Strategy
- Implement Target 2 Securities and other Eurosystem initiatives in payments and settlements area
- Improve currency services, particularly through Banknote Recycling framework

Cost recovery

- Move towards 100% charge-back arrangement (to reduce cost to taxpayer)

High Level Goals of the Central Bank of Ireland

Outlined below are our high level goals and the actions we will be taking to achieve them.

1. Contribute to Eurosystem effectiveness and price stability

We are responsible for maintaining price stability through monetary policy formulation at ECB level. We aim to enhance the effectiveness of our participation in monetary policy formulation through the provision of quality briefing for the Governor on Governing Council issues, while recognising that the Governor is solely responsible as a member of the Governing Council. We are also responsible for the effective implementation of monetary policy.

2. Contribute to financial stability

We have a legal mandate, in both domestic legislation and under the Maastricht treaty, to contribute to financial stability both in Ireland and across the euro area. A key focus in the period ahead is to play our part in the resolution of the financial crisis. This includes monitoring overall liquidity for the banking system.

3. Ensure proper and effective regulation of financial institutions and markets

The objective is to minimise the risk of failure by ensuring compliance with prudential and other requirements. However, a new approach to supervision is needed, focusing on a risk based approach supported by open and challenging dialogue with firms by assertive staff, underpinned by a credible threat of enforcement. The purpose of securities market regulation is to promote an efficient and fair securities market.

4. Ensure that the best interests of consumers of financial services are protected

The objective is to protect customers and investors through conduct of business rules and other measures.

5. Provide independent economic advice and high quality financial statistics

We also contribute to economic development by undertaking economic analysis and research designed to inform economic policy making across a range of areas. A key priority is to provide authoritative economic advice to Government by ensuring that such advice is relevant and timely. The provision of high-quality and timely statistical information is essential for this and also to provide a solid basis for decisions.

6. Ensure efficient financial services infrastructure to the economy: payment and currency

Our oversight of payment systems role is aimed principally at ensuring that payment and securities settlement systems are safe, effective and efficient and that access to such systems is not restricted. We will play a strong role in the development of a National Payments Strategy. With regard to our currency services, we manufacture, issue, store, process and authenticate bank notes and coins.

7. Maximise our operational efficiency and cost effectiveness

We will ensure that the organisation has the capability to deliver the key challenges set out in this Plan and that our operations are carried out in an effective and efficient manner.

INTRODUCTION



This Strategic Plan has been prepared against the background of new legislation, expected to be enacted by quarter 3 2010, to create a single unitary organisation – the Central Bank of Ireland – with responsibility for both central banking and financial regulation. The new structure will replace the current governance structure of the Central Bank and Financial Services Authority of Ireland. The Central Bank will be responsible for both the supervision of individual firms and the stability of the financial system generally. The purpose of the new organisation and the proposed statutory objectives are:

As a member of the European System of Central Banks (ESCB), the principal objective of the Bank is to maintain price stability. In addition the Central Bank Reform Bill, 2010 states that the Bank also has the following objectives:

- The stability of the financial system overall
- The proper and effective regulation of financial institutions and markets, while ensuring that the best interests of consumers of financial services are protected
- The efficient and effective operation of payment and settlement systems
- The provision of analysis and comment to support national economic policy development
- The discharge of such other functions and powers as are conferred on it by law

The changes to the regulatory structure are being brought about to help address deficiencies in the regulatory system that became apparent during the financial crisis. There are parallels with the new arrangements proposed at EU level designed to ensure greater cohesion between overall financial stability policy and the prudential supervision of individual institutions. The reforms will be supported by a significant expansion of regulatory capacity within the new Central Bank. Substantial additional staff with the skills, experience and market-based expertise needed to meet the objectives of the new structures are being recruited.

This Strategic Plan is for the three year period 2010 to 2012. The resolution of the banking crisis is the major task to be completed over the lifetime of this plan. This will be achieved through implementation of a new model of regulation and an enhanced assessment of financial stability. There are 2 main parts to the document:

- Part A – describes the environmental context in which this plan has been prepared and outlines the significant challenges we face as an organisation
- Part B – articulates our high level goals, the associated actions we will take and deals with implementation and organisational issues

The key to implementing our strategy is the dedicated work and commitment of our staff who have already made a significant contribution in addressing the challenges we face. The involvement of the staff in helping refine and enhance the organisation's strategic approach over the next three years will be key to its success. I deeply appreciate their contribution over the past years, which has been a time of exceptional difficulty and challenge. I look forward to working with them to overcome the challenges and to help restore the financial system to full health.

A handwritten signature in black ink that reads "Patrick Honohan".

Patrick Honohan

Governor

PART A – ENVIRONMENTAL CONTEXT AND KEY CHALLENGES

The impact of the banking crisis on the economy dominates the environment in which the Central Bank now operates. The **resolution of the crisis** – putting the banking system back on a solid footing, and thereby helping to strengthen the economy – is the major challenge and task to be addressed over the lifetime of this strategic plan.

This task requires the development and implementation of a **new model of regulation**, an assertive risk-based model, underpinned by a credible threat of enforcement. This needs to be coupled with an enhanced assessment of **financial stability**, with a broader and deeper level of analysis. It also requires the careful ongoing **management of liquidity support** to the main domestic banks. The Central Bank is committed to these objectives as part of its overall focus on helping to ensure that the banking and financial services sectors are put on a sound footing in order to allow them to serve the broader needs of the economy.

The depth of the current banking crisis is in large part attributable to home grown factors. Yet it occurred against a background of international developments which facilitated the creation of vulnerabilities and then sharply exposed them. International financial market pressures contributed to the impact on Ireland. Important initiatives are being taken at the EU and international levels to help resolve the crisis and to set new, more robust, standards. This includes the establishment of significant new EU bodies to strengthen the assessment and mitigation of macro and micro prudential risks, one of the key

recommendations of the De Larosière report. In its **international engagements** the Central Bank will be required to fully play its part in contributing to the development and implementation of these initiatives.

These new challenges are coupled with a requirement for the organisation to ensure that it continues to perform its other ongoing major functions. First among these is the requirement to contribute to **price stability**. In Ireland, this is achieved through our membership of the Eurosystem and through the Governor's participation in the Governing Council of the ECB. It is also of key importance that the Bank continues to ensure that the financial services infrastructure – in the fields of **payments, securities and cash** – delivers the necessary efficiencies to the economy.

While various measures have ensured that a solid start has been made in reversing the broader economic downturn in Ireland, major challenges remain. The Central Bank's role in providing authoritative **advice to Government** and to the other major stakeholders in the economy is more relevant and necessary than ever.

Much work has been achieved in the area of **consumer protection** in recent years. This has helped consumers through the provision of better information and the introduction of the Consumer Protection Code covering such issues as sales processes, disclosure and fair treatment.

Resolving the Banking Crisis

The failures of the Irish banking system, allied with the dramatic decline in economic output and increase in unemployment, have had a severe effect on the economy and the public finances, with the impact felt across all of society.

The severe shortage of liquidity and the solvency problems revealed in the crisis had a significant impact on the operations of banks. The need for exceptional steps to contain the crisis through direct financial sector interventions, as well as monetary and fiscal policy responses was recognised in all of the countries with weakened banks. Recapitalisations, deposit guarantee extensions, the provision of credit and liquidity, and programmes to deal with distressed assets were all undertaken to support financial institutions, while central banks cut interest rates to historically low levels and introduced a range of non-conventional monetary policy measures. In Ireland, following the introduction of an extensive guarantee of bank liabilities by the Government in September 2008, key measures have included:

- Measures to ensure adequate recapitalisation of the banks, including through the provision of additional resources by Government, involving the acquisition by Government (through the National Pension Reserve Fund) of equity stakes in the main banks
- Establishment of the National Asset Management Agency to buy property related loans from the banks at a price related to market value
- Introduction of a Code of Conduct on Mortgage Arrears and Business Lending to Small and Medium Enterprises
- Establishment of an Inquiry into the causes of the financial crisis

The Central Bank has a key role to play in resolving the banking crisis. The objective is to restructure and recapitalise the banking system, so that the banks emerge as self reliant entities without an excessive cost to the taxpayer and with the ability and motivation to provide financial services to the economy.

We will need to sharpen our assessment of financial stability. This will involve a number of actions including improving our analysis of developments in the financial markets as a whole. We will continue to develop indicators and analysis of financial system stress and increase the use of stress testing to assess the impact of any deterioration in the macro economy on the health of financial institutions. To ensure that the risks identified in our Financial Stability Reports are addressed, we need to develop more effective macro prudential instruments. A complete review of the stress testing methodologies will also be undertaken. A new approach to communicating the key messages of our financial stability work is envisaged.

A key task in assessing the banks' restructuring proposals is to ensure that they meet our prudential and financial stability objectives and that sustainable business models are being proposed. We will also provide analysis and assist in the EU approval process for the restructuring of the banking sector. We have set new capital requirements and it is our target that most banks will be in compliance by the end of 2010. One of the key actions to be taken is to gradually reduce the need for reliance of our domestic banks on central banking liquidity provided through the Eurosystem. This is particularly important as Eurosystem monetary policy operations are likely to revert over time to more normal levels as conditions generally stabilise. It will also be vital to ensure that the collateral provided for such operations continues to meet all the necessary requirements.

We also need to manage the transition from the current Government guarantee. All covered credit institutions have been requested to review their contingency liquidity and funding plans to ensure preparedness for the transition to any new guarantee structure that may be put in place and ultimately, to operate in the absence of any Government guarantee. We will continue to focus on the need for covered credit institutions to plan and manage their exit from such support schemes in an orderly manner. We believe that the achievement of a balanced funding profile for all credit institutions is a vital component of a stable banking system.

BANKING SUPERVISION: OUR NEW APPROACH

We have recently published our new approach to Banking Supervision, the main elements of which are that:

- We are changing the structure for banking supervision
 - Restructure the organisation to deliver more intrusive and challenging supervision, recruit additional staff and establish a Risk Experts Panel
- We are changing our supervisory culture and approach
 - Complete prudential capital adequacy review
 - Strengthen supervisory review and evaluation process
 - Implement an 'interview and assessment' process for senior appointments in banks and extend to other institutions
 - Implement a new risk assessment model
 - Revised approach to handling overcharging issues
 - Review process and methodology for assessing consumer charges
 - Prudential supervision themes for 2010 are – new mortgage credit standards; remuneration; risk management and governance; and bank strategies
- We are broadening our approach to financial stability
 - Undertake assessment of data needs for reviews of financial stability
 - Develop an enhanced financial stability systemic risk assessment framework and an associated communications strategy
 - Conduct in-depth comparative analysis of the performance of the Irish banking Sector to inform discussions on the future structure of banking in Ireland
 - Implement further development of banks specific quantitative risk assessment models
 - Undertake detailed micro level analysis of important counterparts of the financial sector: non-financial corporations and households
 - Publish the Financial Stability Report in a new format
- We are enhancing the Regulatory framework
 - Consult on and implement new corporate governance requirements for banks and insurers; regulations on related party lending; a revised framework for ensuring that the managers and directors of regulated institutions are fit and proper; internal governance requirements and remuneration standards for financial institutions; new rules on large exposures; new standards on credit risk management, valuation and liquidity; revised minimum competency requirements, consumer protection code and possibly on the code of conduct on mortgage arrears; statutory switching code
 - Consult on and implement the Comptroller and Auditor General's recommendation on auditor attestation regarding the functioning of the internal corporate governance regime in institutions
- Issues requiring further research
 - Review structure of domestic savings industry, in collaboration with other relevant agencies
 - Issue discussion paper on a central credit register
 - Develop proposals in conjunction with Dept of Finance on a special resolution regime
 - Research the feasibility and desirability of imposing predetermined standard sectoral concentration limits on systemically important credit institutions

Developing a New Regulatory Model

We need to overhaul our supervisory approach to take account of the lessons learned from this financial crisis. We need to address the obvious weaknesses that have caused problems here and also keep pace with the reforms that are being introduced elsewhere as lessons are being learnt worldwide from the financial crisis.

No regulatory system can guarantee a 'zero failure' outcome. However, a system based on concentrating efforts and resources where the greatest risks lie, minimises the risk of failure. It is our intention to implement a framework of assertive risk-based regulation underpinned by the credible threat of enforcement. Our emphasis will be on:

- Risk mitigation and challenge
- Assessment of business risk, not just controls and rules
- Using the risk model to systematically assess firms and set the supervisory agenda

A dedicated division with special investigative units is being established to deal with enforcement matters. An overall assessment of risks will form the basis of making decisions on resourcing the supervisory function and the required level of engagement with the financial service provider or sector. It will be important to be balanced and proportionate depending on the risk of the firm or sector. This will help ensure that supervisory intensity will be proportionate to the risks posed. For example, systemically important institutions can expect a higher level of supervisory engagement and scrutiny.

While many of the required changes in regulation are in line with those occurring at European level, there is also a need to make specific improvements to the domestic regulatory framework in a number of areas. In this regard, we are expecting new statutory powers to ensure that those responsible for managing financial service providers

continue to be fit and proper to do so. Other challenges include the setting and monitoring of standards of corporate governance so as to ensure that good practice is followed in relation to issues such as board composition, remuneration, accountability and audit.

This will require the necessary resources to ensure that the regulatory system here can deliver on its mandate, meet these new challenges and keep pace with evolving best practice internationally. A significant increase in front line regulatory staff is required. This is key to ensuring that the appropriate level of scrutiny is applied to the most systemically important firms and those that are attracting the higher levels of risk. There will also be greater emphasis on examining the fitness and probity of those entering, or moving within, the industry at a senior level. A greater emphasis on risk analysis and policy development also requires sufficient resourcing.

The new enforcement division will be resourced at a level sufficient to apply a credible threat of action where that is necessary and to have the relevant investigative expertise available. The entire approach to enforcement, including the current Administrative Sanctions Procedures, will be reviewed at an early stage and we therefore plan to consult on our enforcement strategy later this year.

European and International Developments

As a member of the Eurosystem, we have a responsibility to promote price stability within the euro area. This role is undertaken through participation of the Governor in the ECB Governing Council where decisions on interest rates are taken. Therefore we need to assist the Governor's participation in ESCB fora by providing quality analysis, research and briefing.

The EU has embarked on a programme of reform that relates to both the structures and legislative framework for financial stability and supervision.

Significant new EU bodies are being established. The European Systemic Risk Board will both assess and seek to mitigate risks to financial stability properly and swiftly while the European System of Financial Supervisors will help develop new supervisory standards and further enhance supervisory cooperation across the EU.

New Directives to strengthen financial supervision are being introduced, primarily in the areas of capital, liquidity and governance. International capital requirements for banks are being reviewed and will be strengthened. Legislation has been adopted or is under consideration in areas such as:

- Stricter capital requirements for banks and investment firms
- A strengthened EU framework for deposit protection
- Enhanced regulation of credit rating agencies, hedge funds and private equity houses
- Reform of remuneration practices in financial institutions

An enhanced regulatory regime for the insurance sector known as Solvency II is in the process of being developed and implemented. The funds industry will have the UCITS IV Directive enacted, which will facilitate cross border marketing of UCITS by simplifying administrative procedures. EU legislation designed to protect individual consumers is also planned or in the process of being implemented, in the areas of deposit guarantee, consumer credit and retail investment products.

Among the key challenges we face in regard to this are:

- To contribute to the development of policy in the interests of the EU and Eurosystem
- To ensure that Ireland's interests are well represented by making an effective contribution as technical advisor to the Government in negotiating and transposing the directives
- Establishing supervisory systems to implement the new requirements

- Communicating the new requirements to industry and other stakeholders

Domestic Economic Advice

The severe international recession has amplified an already unprecedented contraction in the domestic economy since 2007. The pace of decline in economic activity has moderated significantly in the last year and the outlook is for a resumption of modest growth during 2010, although growth will not be sufficiently strong to allow unemployment to fall significantly for some time. The risks facing the Irish economy remain significant, arising from the continuing interaction of negative growth, financial sector stress, and the state of public finances.

While a solid start has been made in reversing the economic downturn, the economy continues to face major economic challenges over the next few years. We will assist Government by providing timely advice on how best to meet these challenges. Our role is to act as an independent and authoritative commentator on the economy and advisor to the Government on policy initiatives. We do this by undertaking economic analysis and research on strategic themes and will communicate the results to as wide an audience as possible.

We need to ensure that our economic research programme is targeted so that our advice to Government is relevant and timely. For example, we will provide research and advice on policies/mechanisms for enhanced availability of credit on a prudent basis and how distressed loans should be managed. Formulating economic advice to the Government on policies that would enable banks to expand lending to credit worthy borrowers, while at the same time ensuring adequate capital and liquidity buffers to protect the stability of the financial system, is a particular challenge. A new data collection system to integrate data on SME lending within the existing statistical framework will be implemented, and the need to enhance statistics in other areas, such as collecting off-balance sheet exposures will be explored.

Our economic research priorities include macro forecasting, inflation and competitiveness analysis, public finances, labour market, housing, and trade and balance of payments. For the future, particular attention will be paid to the role of the financial sector in these and related fields including a specific focus on particular issues, such as lending to the SME sector. The challenge is to use our strong economist resources within the Central Bank so that they are leveraged so as to derive the maximum benefit from interacting with other economists in universities, the Economic and Social Research Institute and the public service.

As the leading provider of financial statistics, we will continue to develop this area and to collect additional relevant data to enable the provision of informed analysis and commentary. We will also collaborate with the CSO and other bodies to ensure that data relevant to policy formulation is provided and that the burden on respondents is minimised. We will also take steps to improve the range and relevance of statistics published and the dissemination of these data.

Payments and Currency

We provide a range of services to the banking sector and the economy as a whole. In relation to payment and securities settlement systems, our remit is to ensure that they are safe, effective and efficient, and that access to such systems is not restricted.

Compared to many other EU countries, we continue to have a significant dependency on cash and cheques. Consumers and businesses in some other EU countries have moved to fast and efficient electronic payments systems, the benefits of which include improved safety and security, increased efficiency and speed of payment. The Single Euro Payments Area (SEPA) initiative is introducing common electronic payment instruments (credit transfers and direct debits) that can be used to make euro-denominated payments. The SEPA project applies throughout the euro area (and also to all other EU and EEA member states). We will play

a strong role in the development of a National Payments Strategy which will deliver these benefits in Ireland.

The Eurosystem has introduced the TARGET 2 real-time, gross settlement (RTGS) system for settlement of large-value payments in euro, both domestically and cross-border and a system for securities settlement (TARGET2 Securities, or T2S) is currently being developed.

We aim to improve the currency service we provide. The implementation of the Banknote Recycling Framework, which obliges professional cash handlers to authenticate banknotes before they are re-issued, will enhance the security and integrity of the currency and the quality of banknotes in circulation. We will assess the role we play in the cash cycle and continue to liaise with the retail banks to ensure the system is efficient while at the same time meets the needs of the retail sector and the public. The continued production of banknotes in the Currency Centre will be re-evaluated as the Eurosystem moves towards the introduction of a second series of banknotes. We will also review our strategy in relation to coin manufacture and issue.

Other challenges for us to address include:

- Provision of business continuity services for the banking sector to deal with potential crises
- Implementation of enhancements to the settlement process, particularly relating to securities and collateral management

Building on Consumer Protection

The economic downturn has led to increased unemployment and lower salaries for many people, resulting in consumers facing difficulties with regard to their financial circumstances. These difficulties can include issues such as mortgage arrears, house repossessions, poor investment performance and lack of access to suitable

loans. The withdrawal/down-sizing of some retail banks will also have an impact on competition and consumer choice.

Strong consumer protection measures are a continuing requirement and it is essential that we build on the good work already in place. Our ultimate objective is to have a financial services industry where consumers' interests are fully protected and our challenge is to make continued progress towards that goal. In practice this means that financial consumers are recommended products that are appropriate to their needs and that they receive a high standard of ongoing and follow-up service.

A key objective in the coming period will be to review the Consumer Protection Code. This will be an opportunity to take stock of the Code and see where it needs to be strengthened. We will also review our Minimum Competency Requirements so that consumers can be confident that the people providing them advice are qualified and competent. In the meantime, the programme of thematic reviews, where we assess the consumer protection practices in firms in a particular area and publish the results will continue.

One of the most pressing areas of consumer protection concern is that of mortgage arrears. The Mortgage Arrears Code was recently amended to give home owners more time – now twelve months – to work out a solution to an arrears problem before legal action can be taken by their mortgage provider. A thematic review will be undertaken to examine how mortgage providers are complying with the Code. We will also contribute to the recently formed Government working group to help develop other solutions to alleviate the arrears problem.

In addition financial service providers will have to move much more quickly to clear backlogs in handling overcharging cases. Firm deadlines will be set in this regard for communicating with customers and providing compensation. Enforcement action will follow if our timelines are not met.

The need to ensure that their customers are treated fairly must be top of the agenda for regulated firms.



PART B – HIGH LEVEL GOALS

This chapter sets out our high level goals and the actions we will be taking to achieve them.

1. Contribute to Eurosystem effectiveness and price stability

We are responsible for maintaining price stability through monetary policy formulation at ECB level. We aim to enhance the effectiveness of our participation in monetary policy formulation through the provision of quality briefing for the Governor on Governing Council issues, while recognising that the Governor is solely responsible as a member of the Governing Council. We are also responsible for the effective implementation of monetary policy.

2. Contribute to financial stability

We have a legal mandate, in both domestic legislation and under the Maastricht treaty, to contribute to financial stability both in Ireland and across the euro area. A key focus in the period ahead is to play our part in the resolution of the financial crisis. This includes monitoring overall liquidity for the banking system.

3. Ensure proper and effective regulation of financial institutions and markets

The objective is to minimise the risk of failure by ensuring compliance with prudential and other requirements. However, a new approach to supervision is needed, focusing on a risk based approach supported by open and challenging dialogue with firms by assertive staff, underpinned by a credible threat of enforcement. The purpose of securities market regulation is to promote an efficient and fair securities market.

4. Ensure that the best interests of consumers of financial services are protected

The objective is to protect customers and investors through conduct of business rules and other measures.

5. Provide independent economic advice and high quality financial statistics

We also contribute to economic development by undertaking economic analysis and research designed to inform economic policy making across a range of areas. A key priority is to provide authoritative economic advice to Government by ensuring that such advice is relevant and timely. The provision of high-quality and timely statistical information is essential for this and also to provide a solid basis for decisions.

6. Ensure efficient financial services infrastructure to the economy: payment and currency

Our oversight of payment systems role is aimed principally at ensuring that payment and securities settlement systems are safe, effective and efficient and that access to such systems is not restricted. We will play a strong role in the development of a National Payments Strategy. With regard to our currency services, we manufacture, issue, store, process and authenticate bank notes and coins.

7. Maximise our operational efficiency and cost effectiveness

We will ensure that the organisation has the capability to deliver the key challenges set out in this Plan and that our operations are carried out in an effective and efficient manner.



HIGH LEVEL GOAL 1

Contribute to Eurosystem effectiveness and price stability

We are responsible for maintaining price stability in Ireland through the implementation of ECB decisions on monetary policy. As a member of the ECB Governing Council, the Governor has direct input into monetary policy decisions and other major policy areas. While the Governor has sole decision making power in relation to ECB monetary policy formulation, the effectiveness with which he can perform his duties in this respect may be enhanced by the quality of monetary policy briefing, statistical information, and analysis and research provided. We are continually striving to improve our contribution in this area.

To ensure that our analysis adapts to changing circumstances, we will monitor relevant market trends, indicators and instruments, and collect survey information as appropriate. The implementation of monetary policy will continue through participation in the various open market operations of the Eurosystem. We will also seek to influence ECB decisions on monetary policy operational issues through our active participation in various ECB committees.

There is a trend towards specialisation among national central banks within the Eurosystem. Within our limited resources, we will continue to identify and pursue opportunities to make a significant contribution to the work of the Eurosystem. Accordingly, we will prioritise these areas where we can make the most significant contributions and develop further expertise in them.

The strategies and actions we will take to achieve this goal are:

STRATEGY	ACTION
Enhance the effectiveness of our participation in monetary policy formulation	<ul style="list-style-type: none">■ Support the Governor in playing an effective role at the Governing Council by providing real economy and monetary analysis
Implement Eurosystem operations efficiently	<ul style="list-style-type: none">■ Implement new ECB initiatives, including measures proposed to address tensions in financial markets■ Participate in Eurosystem open market operations
Contribute to the effective functioning of the Eurosystem	<ul style="list-style-type: none">■ Continue to actively participate in the ESCB committee structures

HIGH LEVEL GOAL 2

Contribute to financial stability

We have an explicit mandate, in both domestic legislation and under the Maastricht treaty, to contribute to financial stability both in Ireland and across the euro area. An important element of our work will be to provide analysis regarding the financial environment, with particular focus on the risks and vulnerabilities. We will continue to develop indicators and analysis of financial system stress and publish the results within our Financial Stability Reports.

We will broaden and deepen our assessments of financial stability through risk identification, mitigation and appropriate enforcement, where necessary. Our immediate priority is to assist the Government in the process of restructuring and recapitalisation of the banking system so they emerge as self reliant entities. In this regard our role is to:

- Broaden and deepen assessments of financial stability including stress-testing methodologies
- Provide input and analysis to the European Central Bank, European Commission and the soon to be established European Systemic Risk Board
- Monitor and analyse liquidity positions of the financial system
- Complete development of the framework for systemic impact assessment, so that it can be used effectively in the context of crisis management

New internal structures have been established to provide a more cohesive approach to financial stability within the organisation. The Financial Stability Committee is now chaired by the Governor and includes senior staff from across the regulatory and central banking departments. The Committee also meets on a more frequent basis than in the past. We are also expanding our expertise in analysing developments in different sectors and markets from a financial stability perspective with the recruitment of more specialised staff. New applications for authorisation will also be subject to intensive assessment from a financial stability perspective to ensure that they will not expose the financial system to a risk of serious instability.

Both internal and published Financial Stability Reports and assessments will also incorporate specific recommendations to effectively mitigate the risks that are identified. We will monitor developments in the methodology of financial stability analysis internationally as well as undertaking a strategic program of research domestically. In particular, a major expansion in our ability to monitor and analyse macro-financial developments at the EU level is planned in order to support the Governor in his work as a member of the new European Systemic Risk Board.

Following the financial turmoil in the past year, new responsibilities have evolved in the area of liquidity monitoring and analysis which will continue along with our monitoring of reserve requirements. We will enhance our collection of market intelligence.

We will enhance the crisis-management capability of the organisation to meet any unexpected and unplanned changes in the financial markets. We must be prepared for any future financial failures, which arise in spite of our best efforts. We will assist the Minister in the work necessary to establish a resolution regime that is flexible enough to handle the failure of a financial institution. We need to be in a position to respond quickly and efficiently and have a system for predicting where the next potential crisis may come from. In this context, we are also involved in cross border stability groups.

The strategies and actions we will take to achieve this goal are:

STRATEGY	ACTION
<p>Broaden and deepen assessments of financial stability</p>	<ul style="list-style-type: none"> ■ Enhance macro prudential assessment by updating existing indicators and developing new indicators ■ Undertake risk assessment of International financial services and non bank financial entities ■ Enhance domestic crisis management policy and procedures ■ Assess new applications for authorisation from a financial stability perspective ■ Undertake research on strategic financial stability issues ■ Enhance and develop stress testing capabilities ■ Publish Financial Stability Reports which identify the risks in the system, the mitigants that need to be put in place and the action to be taken
<p>Contribute to financial stability assessments of the European Systemic Risk Board and Cross Border stability groups</p>	<ul style="list-style-type: none"> ■ Enhance analysis of European macro financial conditions ■ Contribute to international policy formulation ■ Contribute to European cross-border crisis management initiatives
<p>Oversee the liquidity of the financial system</p>	<ul style="list-style-type: none"> ■ Enhance financial market intelligence ■ Monitor and forecast financial system liquidity ■ Assess eligibility of assets for use as collateral in Eurosystem operations ■ Monitor reserve requirements of financial institutions
<p>Assist in resolution of the financial crisis</p>	<ul style="list-style-type: none"> ■ Oversee exit from Government guarantee to covered institutions ■ Set new capital requirements for banks ■ Liaise with National Asset Management Agency ■ Provide assistance to the Commission of Investigation into the financial crisis

HIGH LEVEL GOAL 3

Ensure proper and effective regulation of financial institutions and markets

Our approach to prudential supervision is designed to promote the safety and soundness of individual financial institutions and the protection of customer assets, through compliance with capital, solvency and other requirements.

Compliance is monitored by assessing how financial service providers manage the risks they take on. Our primary objective is to ensure that mitigation actions are taken to reduce the risks to acceptable levels. Compliance monitoring also involves ensuring that regulatory returns are submitted and assessed, through on-site review meetings and inspections and having issues resolved on a timely basis. An integral part of our engagement with firms is to have a dialogue which is open and challenging. Where non compliance is detected, we will take appropriate action to ensure that not only is the consumer detriment resolved but also to act as an incentive for proactive compliance in the future. We will enforce the fitness and probity regime ensuring that entrants to the key approved positions at board and senior management level are taken up by people of competence and integrity.

As noted above, we plan to develop a risk assessment model. We will consult publicly on the development of this model which will establish the framework for the allocation of resources and the operation of on-site and risk based supervisory work.

Our strategic approach to supervision is to set parameters within which the risks inherent in the purchase or sale of a financial service are minimised. Those financial service providers that pose the greatest risk to either the stability of the financial system or deal directly with customers are subject to higher levels of scrutiny. The inherent impact of certain types of financial institutions is so high that they require more intensive supervision, for example systemically important banks. We will adjust our approach in a proportionate manner to the level of risk. As we have limited resources, the risk-based approach means that we apply our limited resources to those financial institutions with the highest impact and risk profile. It also means that we cannot commit to provide routine risk assessments for the smallest firms when we develop our risk model. Neither is it feasible to develop a "no failure" regime, as the cost of this would be prohibitive. Our preferred approach is to proactively anticipate and mitigate emerging risks and problems. However, in some cases it will be necessary to respond where a financial failure occurs.

This more intensive approach to supervision requires increased staff resources and analytical skills and a more frequent level of engagement with regulated financial service providers. Over the period of the plan we will build a new risk model which will include the following features:

- Determines how to effectively monitor market developments in order to identify potential risks
- Has a mechanism for identifying, monitoring, and mitigating risks to the financial system regardless of the source of the risk or the institutions in which it is created
- Identification of risk-based criteria, such as an institution's potential to create systemic problems or harm consumers, for determining the appropriate level of oversight for financial activities and institutions
- Is calibrated to the risks posed by the firm and sector, thereby leading to the increased resources being allocated to the supervision of those firms and sectors which pose the greatest risk
- Includes an assessment of the institutions' business model and internal controls;
- Considers what distinctions are necessary between retail and wholesale products, and how such distinctions should affect how they are supervised

- Ensures that similar institutions and risks are subject to consistent regulation, oversight, and transparency
- Has an emphasis on risk mitigation in addition to risk assessment

We will continue to carry out our responsibilities under the Government guarantee scheme. This includes monitoring the covered institutions compliance with their obligations under the scheme and reporting on compliance by the institutions with the scheme to stakeholders in particular the Minister for Finance. As part of the implementation of the Government guarantee for domestic credit institutions, we have already implemented a new model of supervision. This involves regular on-site presence; frequent attendance at Compliance, Risk Management, Internal Audit committee meeting of the institution; periodic attendance at Board meetings; more frequent reporting and an increased focus on solvency, liquidity and governance. This has led to a better understanding of the risks of the institution. We obtain more immediate information and have the opportunity to influence behaviour at an earlier stage. We are able to assess the strengths and weaknesses of management and board performance which has led to the strengthening of internal governance.

We will provide technical assistance to the Government and EU on a range of EU directives planned over the coming years which will strengthen the financial services legal framework, and once implemented, it will be our task to ensure compliance. These include the Solvency II directive for insurance companies and UCITS IV and Alternative Investment Fund Managers directives for the funds industry. These measures combined with many proposed directives on banking supervision are just the start of a significant agenda of international regulatory reform.

The legal framework for securities markets regulation is based on a number of EU directives, namely: Prospectus, Market Abuse, Transparency and Markets in Financial Instruments. Major projects are underway to develop the systems and obtain the necessary staff so that we can perform these functions effectively. A joint project with the Irish Stock Exchange to unwind the delegation of prospectus scrutiny tasks is to be undertaken. This is in line with EU requirements, whereby the conduct of this Prospectus scrutiny role must be returned by the Irish Stock Exchange to us by 31 December 2011. A joint steering committee, comprised of senior management representatives from both the Central Bank and Irish Stock Exchange, will oversee the process. Both organisations are wholly committed to working on a collaborative basis to ensure the prospectus approval process will continue to operate on a business as usual basis both during and after the completion of this project. A consultative stakeholder group will ensure that relevant market participants are involved in this strategically important project. The successful conclusion of the project will result in a seamless transition of the prospectus scrutiny function to the Central Bank. The primary objectives of the prospectus function will be to ensure that the prospectus scrutiny and approval process is part of a strong and expert regulatory framework and also to maintain the highly regarded international reputation of prospectus scrutiny in Ireland.

We will continue to work closely with the auditing and accounting professions. This includes providing assistance in the development of auditing and accounting requirements/guidance in the area of financial regulation. In addition to the statutory obligation on external auditors to report directly to us in certain specified circumstances, we have initiated an exercise whereby they will provide assurances in relation to certain regulatory reports made by financial institutions to us.

We will continue to work closely with credit unions to build and maintain levels of reserves, liquidity and provisions across the sector to provide a buffer against potential future challenges. The current legislative and regulatory framework requires modernisation to support the governance, financial soundness and future development of credit unions. At the request of the Minister for Finance we are undertaking a strategic review of the credit union sector involving an examination of the structure, operation, regulation and legislation of the sector. Its objective is to bring forward specific proposals to strengthen the prudential soundness of credit unions and advise and inform an assessment of the future strategic direction of the sector.

The strategies and actions we will take to achieve this goal are:

STRATEGY	ACTION
<p>Strengthen the prudential supervisory framework for financial institutions through the implementation of new EU regulations</p>	<ul style="list-style-type: none"> ■ Prepare for the implementation of new EU directives for credit institutions and investment firms: CRD II, CRD III, CRD IV and CRD V ■ Introduce revised large exposure limits for systemically important credit institutions ■ Prepare for the implementation of a new EU directive for insurance undertakings: Solvency II ■ Prepare for the implementation of a new EU directives for the funds industry: UCITS IV and Alternative Investment Fund Managers ■ Develop supervisory system for payment institutions
<p>Improve the domestic regulatory framework applying to financial institutions</p>	<ul style="list-style-type: none"> ■ Consult on corporate governance requirements for credit institutions and insurance undertakings ■ Consult on new code for related party lending ■ Consult on requirements relating to remuneration in the financial services industry ■ Strengthen fitness and probity framework ■ Consider the need for additional requirements in respect of internal governance and risk management when international initiatives in these areas are published ■ Issue Valuation Guidelines outlining requirements for adequate internal controls ■ Assess the capital plans of credit institutions and monitor compliance with the capital targets that have been set for each under the Prudential Capital Assessment Review ■ Assess requirement for Compulsory Mortgage Indemnity Insurance in the context of the Government's Working Group on Mortgages ■ Research the feasibility and desirability of imposing predetermined standard sectoral concentration limits on systemically important credit institutions ■ Explore credit information deficiencies and implications and potential solutions ■ Undertake a strategic review of the credit union sector
<p>Ensure that supervisory resources are allocated to areas of greatest risk</p>	<ul style="list-style-type: none"> ■ Improve analysis of predominant risk factors including enhanced forward looking indicators of bank specific and systemic risk ■ Develop a new risk model to target the deployment of supervisory resources ■ Develop an engagement model for financial institutions based on their risk profile and our policy of more intensive supervision, involving close engagement with firms and increased number of onsite inspections ■ Apply the appropriate intensity of supervision appropriate to the risk profile of the financial service provider

<p>Ensure that new financial institutions entering the market are competently managed and have appropriate business models</p>	<ul style="list-style-type: none"> ■ Authorise new financial institutions in accordance with the relevant regulations ■ Ensure applications are authorised in a timely and consistent manner
<p>Provide compliance assistance to financial institutions</p>	<ul style="list-style-type: none"> ■ Issue guidance on regulatory issues ■ Influence the development of guidance and practice notes by other regulatory bodies
<p>Improve compliance through the application of enforcement powers</p>	<ul style="list-style-type: none"> ■ Develop Enforcement strategy to support compliance ■ Investigate alleged instances of unauthorised activity or non compliance with regulatory requirements and take appropriate enforcement action, including use of supervisory directions and administrative sanctions ■ Complete programme of special investigations arising from the financial crisis
<p>Assist with the prevention of money laundering and financing of terrorism (AML – CTF)</p>	<ul style="list-style-type: none"> ■ Assist in the preparation of guidance for industry ■ Undertake programme of themed inspections to increase probability of detection ■ Report suspicious transactions to the Gardai and or Revenue Commissioners as appropriate ■ Sanction financial institutions with inadequate risk management and control mechanisms
<p>Prepare for the unwinding of the delegation of functions to the Irish Stock Exchange as mandated by the EU</p>	<ul style="list-style-type: none"> ■ Unwind Market Abuse delegation by end 2012 ■ Unwind Prospectus delegation by end 2011 ■ Unwind Transparency delegation by end 2012
<p>Ensure that market participants act in fair and transparent manner</p>	<ul style="list-style-type: none"> ■ Supervise monitoring of transactions by Irish Stock Exchange ■ Undertake investigations of suspicious transactions under the Market Abuse regulations ■ Process applications for the approval of prospectuses ■ Monitor issuers' disclosure of information, disclosure of major shareholdings and voting rights under the Transparency regulations

HIGH LEVEL GOAL 4

Ensure that the best interests of consumers of financial services are protected

Business conduct regulation has a quite different focus from safety and soundness oversight. Its emphasis is on transparency, disclosure and suitability. In cases where transparency requirements alone are insufficient, consumers are protected by rules that require fair treatment and high standards of business conduct by financial service providers.

Our objective is to have a financial services industry where consumers' interests are protected. This means that:

- Consumers should be provided with clear, relevant and accurate information, including on cost, during the sales process
- Consumers should be recommended a product/service appropriate to their needs and suitable for them
- Consumers should receive a high standard of follow-up services, e.g., making a claim, making a complaint, switching product, dealing with errors, policy renewals, follow-up advice on investments/pensions, etc

The main tool through which we achieve consumer protection is by setting, monitoring and enforcing conduct of business rules. We undertake consumer focussed inspections and where issues are discovered, have them remedied. Building awareness of the standards expected is also an important part of our work. A major element of the enforcement regime is making the consequences of non-compliance clear by publishing information on administrative sanctions and regulatory actions to foster a compliance culture in financial service providers.

The Consumer Protection Code and Minimum Competency Requirements now require a full review to ensure that both the principles and rules that are in place, are adapted as necessary to take account of our experience in monitoring compliance. EU directives are also planned to improve the consumer protection framework. We will also continue our programme of thematic reviews which are a useful tool to instil consumer standards.

The most pressing area of consumer protection concern is that of mortgage arrears. We recently amended our Code in this area to give home owners more time – now twelve months – to work out a solution to an arrears problem before legal action can be taken by their mortgage provider. We will be conducting a thematic review to examine how mortgage providers are complying with this and other aspects of the Code. We are contributing to the recently formed Government working group to help develop other solutions to alleviate the arrears problem.

There is a legal requirement to have a Deposit Protection Scheme in place so that if a bank fails, customers can be paid the net balance in their accounts within 20 days. This is a significant challenge not only for banks and credit unions but also for the Central Bank.

The strategies and actions we will take to achieve this goal are:

STRATEGY	ACTION
<p>Strengthen the consumer protection supervisory framework for financial institutions</p>	<ul style="list-style-type: none"> ■ Conduct a review of Consumer Protection Code and Minimum Competency Requirements ■ Prepare for the implementation of the Consumer credit directive and proposed Packaged retail investment products directive ■ Facilitate the transition of the consumer information and education role to the National Consumer Agency
<p>Ensure that financial institutions act fairly</p>	<ul style="list-style-type: none"> ■ Undertake a programme of themed inspections to monitor and enforce compliance with the Consumer Protection Code ■ Approve bank charges ■ Implement, monitor and enforce new codes on mortgage arrears, licensed moneylenders, and lending to small and medium sized enterprises and conduct of business elements of Payment Services Directive ■ Investigate alleged instances of unauthorised activity or non compliance with regulatory requirements and take appropriate enforcement action, including use of supervisory directions and administrative sanctions ■ Undertake a review of product development standards ■ Cooperate and share information with Financial Services and Pensions Ombudsmen and National Consumer Agency
<p>Provide compliance assistance to regulated entities</p>	<ul style="list-style-type: none"> ■ Issue guidance on consumer protection issues
<p>Operate and oversee compensation schemes</p>	<ul style="list-style-type: none"> ■ Implement Deposit Guarantee Scheme for banks, building societies and credit unions ■ Supervise the Investor Compensation Company Ltd

HIGH LEVEL GOAL 5

Provide independent economic advice and high quality financial statistics

We undertake data collection, statistical analysis, economic analysis and research designed to inform economic policy making across a wide range of areas. The results of our extensive analysis are conveyed to government, the financial sector, academia and the general public through a number of different channels. Our advice is primarily macroeconomic in nature. It will have an increased focus on financial sector issues and strategic policy areas such as fiscal policy, pay developments and competitiveness. We will continue to produce macroeconomic projections for the Quarterly Bulletins and the Annual Report.

We will also continue to present technical research results in our Technical Paper series and in special articles in the main publications. We will also interact with work in the financial stability area, developing a new approach to stress testing, work on housing and credit and provide general research support.

While we have always had formal high-level meetings with policy makers as a channel for communication and exchanging views, we intend to expand this role and to seek advice and views of other informed commentators. In particular, we will develop our interaction with academia and other research bodies.

We will continue to provide informed commentary and analysis based on the significant and increasing volume of financial statistics collected. These statistics are essential in influencing the decision making process of other policy makers, financial market participants and the public both at domestic and international level. We will also contribute to the development of the European System of Central Banks (ESCB) statistical framework, particularly in relation to new requirements for the European Systemic Risk Board. Where necessary we will develop statistical databases and other dissemination methods to enhance the availability of information required for policy makers and analysts.



A compendium of Irish Economic Statistics is published every year with the Annual Report

The strategies and actions we will take to achieve this goal are:

STRATEGY	ACTION
<p>Provide analysis and comment in the interest of national economic policy development</p>	<ul style="list-style-type: none"> ■ Produce macroeconomic projections and publish in Quarterly Bulletin ■ Provide timely and relevant policy advice aimed at influencing domestic policy makers ■ Participate in Eurosystem wide surveys ■ Collaborate with other centres of economic research in enhancing research capacity on the Irish economy and financial system
<p>Expand statistical outputs and enhance dissemination</p>	<ul style="list-style-type: none"> ■ Expand the range of statistics on the domestic financial sector and enhance the methods of dissemination ■ Explore the need for additional statistics in light of the financial crisis ■ Expand electronic reporting to all statistical returns ■ Improve accessibility and relevance of data to stakeholders ■ Participate in joint initiatives with the Central Statistics Office to improve statistical coverage and to minimise the reporting burden ■ Contribute to development of European System of Central Banks' statistical framework ■ Participate in international statistical initiatives with Bank of International Settlements, International Monetary Fund, Organisation for Economic Cooperation and Development etc
<p>Expand our communications on general economic issues</p>	<ul style="list-style-type: none"> ■ Improve communication channels with stakeholders ■ Organise conferences on strategic research issues ■ Cooperate with other research bodies and universities on research activity

HIGH LEVEL GOAL 6

Ensure efficient financial services infrastructure to the economy: payments and currency

The Central Bank has an important role in the oversight of payments systems and in the development of payments systems policy, both in the domestic and European context. Oversight of payment systems is aimed principally at ensuring that payment and securities settlement systems are safe, effective and efficient and that access to such systems is not restricted. This is a core requirement for maintaining financial stability and for meeting the business needs of the economy. This oversight activity is focussed on the domestic retail electronic and paper-based clearing systems while we also share in the oversight responsibility for European and international payments systems. This activity is described in detail in the separately published Oversight Report (2010).

TARGET2 (Trans-European Automated Real-time Gross Settlement Express Transfer System), which was introduced in 2008, is the single pan-European system used by each of the national payment systems to ensure a uniform wholesale payment infrastructure, thus promoting efficiency and integration in European financial markets. The next major initiative is TARGET2 Securities (T2S) which will harmonise the settlement of securities trades. T2S will act as a catalyst to integrate European post-trading financial services, and will foster competition by providing harmonised access to settlement services within the European financial market. In order to address the significant increase in the range and complexity of collateral arising from the financial crisis, we will participate in Euro area wide project to develop a single collateral management system (Correspondent Central Banking Model – CCBM2).

The Single European Payments Area (SEPA) will create a single harmonised, open, European "domestic" payments market. We will play a strong role in the development of a National Payments Strategy in order to promote the take-up of alternatives to paper-based instruments and cash, in line with best international practice.

Our core functions in relation to currency are to manufacture, issue, store and process bank notes and coins, thereby contributing to the availability, integrity, security and quality of the euro. We are responsible for the provision of banknotes and coins to very strict quality standards established for the Eurosystem. Currency production and issue operations are ISO quality accredited. The aim is to ensure that there is an adequate supply of high quality banknotes and coin and to adhere to ESCB security procedures. During 2010, the Eurosystem Banknote Recycling Framework will be implemented which will require professional cash handlers to authenticate banknotes before they are re-issued into circulation. We will monitor the improvement in the quality of banknotes as a result of this initiative. An overall assessment of the effectiveness of the cash cycle and our role in it will also be undertaken. Demand for coin has always been volatile and we will monitor trends in this regard to ensure our coin production and issue strategy is efficient and meets the needs of the public, the retail sector and the banks.

The strategies and actions we will take to achieve this goal are:

STRATEGY	ACTION
<p>Develop and implement payment and securities settlement systems policy</p>	<ul style="list-style-type: none"> ■ Participate in the development of TARGET2-SECURITIES euro area securities settlement system ■ Contribute to development of a single collateral management system (CCBM2) across the euro area ■ Monitor implementation of Single European Payments Area ■ Enhance payments system for credit unions, default procedures for retail clearing and laser debit card ■ Address issues relating to wholesale payments such liquidity buffer, payments capacity buffer and velocity of circulation ■ Publish Oversight Report
<p>Play a strong role in the development of a National Payments Strategy</p>	<ul style="list-style-type: none"> ■ Participate on Steering Group for National Payments Implementation Programme Advisory Group
<p>Provide effective payment and securities settlement services</p>	<ul style="list-style-type: none"> ■ Operate TARGET2 Euro settlements system
<p>Ensure availability of high quality bank notes and coins</p>	<ul style="list-style-type: none"> ■ Manufacture, issue, store, and process bank notes and coins ■ Implement the Eurosystem bank note recycling framework ■ Facilitate introduction of new ES2 bank notes ■ Develop coin strategy
<p>Facilitate and coordinate Business Continuity planning (BCP) arrangements for the domestic financial markets</p>	<ul style="list-style-type: none"> ■ Coordinate BCP to increase resilience of Irish financial institutions and markets to operational risks ■ Liaise with other central banks concerning BCP arrangements elsewhere

HIGH LEVEL GOAL 7

Maximise our operational efficiency and cost effectiveness

A key goal is to ensure that our organisation has the capability, adaptability and results-focus necessary to deliver on the six business goals identified and that operational efficiency and effectiveness is achieved.

We will continue to ensure that our structures are aligned to support the implementation of our strategic plan. During 2010, we will implement an organisational development programme and resource a dedicated Project Management office to assist in the successful delivery of a wide range of projects to be completed over the coming years. Our organisation structure is attached in Appendix 1.

This plan has been developed against the background of pressures on the Eurosystem and on public institutions to deliver greater value for money in their use of public funds. Accordingly, we will aim to operate in a cost effective manner using enhanced planning and budgeting processes and controls.

It will be necessary to significantly increase manpower resources over the next three years, particularly in the regulatory areas. In addition to recruiting additional staff with new skills, experience and market-based expertise, we will also develop existing staff through focused training, secondments, and internal transfers to other functions within the organisation. We plan to undertake benchmarking exercises with other regulatory bodies to ensure our levels of supervisory resources and fee comparisons are appropriate and cost effective.

Creating and maintaining a comprehensive performance management programme that aligns individual objectives with the goals of the organisation will also contribute to the successful implementation of this Plan. We also recognise that good work/life balance options act as an incentive to attract and retain staff.

We are developing and implementing an organisation wide information management strategy involving the delivery of Enterprise Content Management (ECM) projects and the use of Business Intelligence (BI) tools for all critical data. An essential part of successful implementation of ECM and BI is re-engineering the information collection and analysis processes. In addition, the recommendations in the Mazars' report on the review of certain regulatory processes will also be implemented as required. An enhanced capability in business process re-engineering will be developed throughout the organisation, to provide advice and assistance to front line departments on the design of new and improved processes and systems.

We are committed to high standards of public accountability, while at the same time asserting our statutory independence. To be successful, we require the co-operation of a variety of stakeholders. These relationships will be managed proactively and we are committed in future to adopting a consultative approach to policy formulation and to explain the rationale for significant policy decisions. Within the constraints of the law, it is essential that there is a free flow of information between the organisation and our stakeholders which will be aimed at restoring public confidence in the organisation.

The strategies and actions we will take to achieve this goal are:

STRATEGY	ACTION
<p>Apply high standards of Corporate Governance</p>	<ul style="list-style-type: none"> ■ Continue to ensure our structures are aligned to support the implementation of the Strategic Plan ■ Introduce a balanced scorecard approach to measuring organisational performance against Strategic Plan objectives ■ Ensure staff operate with integrity and comply with our internal code of ethics ■ Review internal procedures and practices ■ Prepare and implement an organisation development programme ■ Establish a project management office
<p>Optimise returns on Central Bank of Ireland assets</p>	<ul style="list-style-type: none"> ■ Manage investment and superannuation fund portfolios ■ Manage our share of the pooled portion of the ECB's own foreign reserves and act as portfolio manager for ECB reserves of other member state(s)
<p>Implement a human resources strategy aligned with our responsibilities</p>	<ul style="list-style-type: none"> ■ Undertake a programme of recruitment to substantially increase our manpower and supplement our skills ■ Implement a programme of training and development for all staff, focusing on developing core competencies ■ Enhance the performance management system to align personal work plans with business objectives ■ Improve internal communications to aid achievement of strategic priorities ■ Monitor and review our policies to retain staff
<p>Use technology to improve operations and processes</p>	<ul style="list-style-type: none"> ■ Implement key IT developmental projects including projects relating to ESCB obligations, statistics, financial operations, website, enterprise content management, business intelligence and online reporting ■ Develop and implement an organisation wide information management strategy ■ Review business processes to improve efficiency and adopt automated processes where appropriate ■ Implement recommendations of Mazars benchmarking report ■ Develop further our business process re-engineering capability

Ensure effective resource management in line with best practice

- Enhance budgeting and costing systems to facilitate improved management information
- Prepare and monitor the implementation of annual operational programmes
- Develop performance metrics to monitor strategic plan implementation
- Assess feasibility of a single levy collection system from financial service providers

Improve transparency and communications with stakeholders

- Prepare and implement a corporate strategy for communications aligned with the high level goals
- Meet our public accountability responsibilities as set out in legislation
- Enhance the consultative dimension of policy formulation
- Redesign the corporate website as a key communications tool to reflect the integrated structure of the organisation
- Communicate proactively through the media

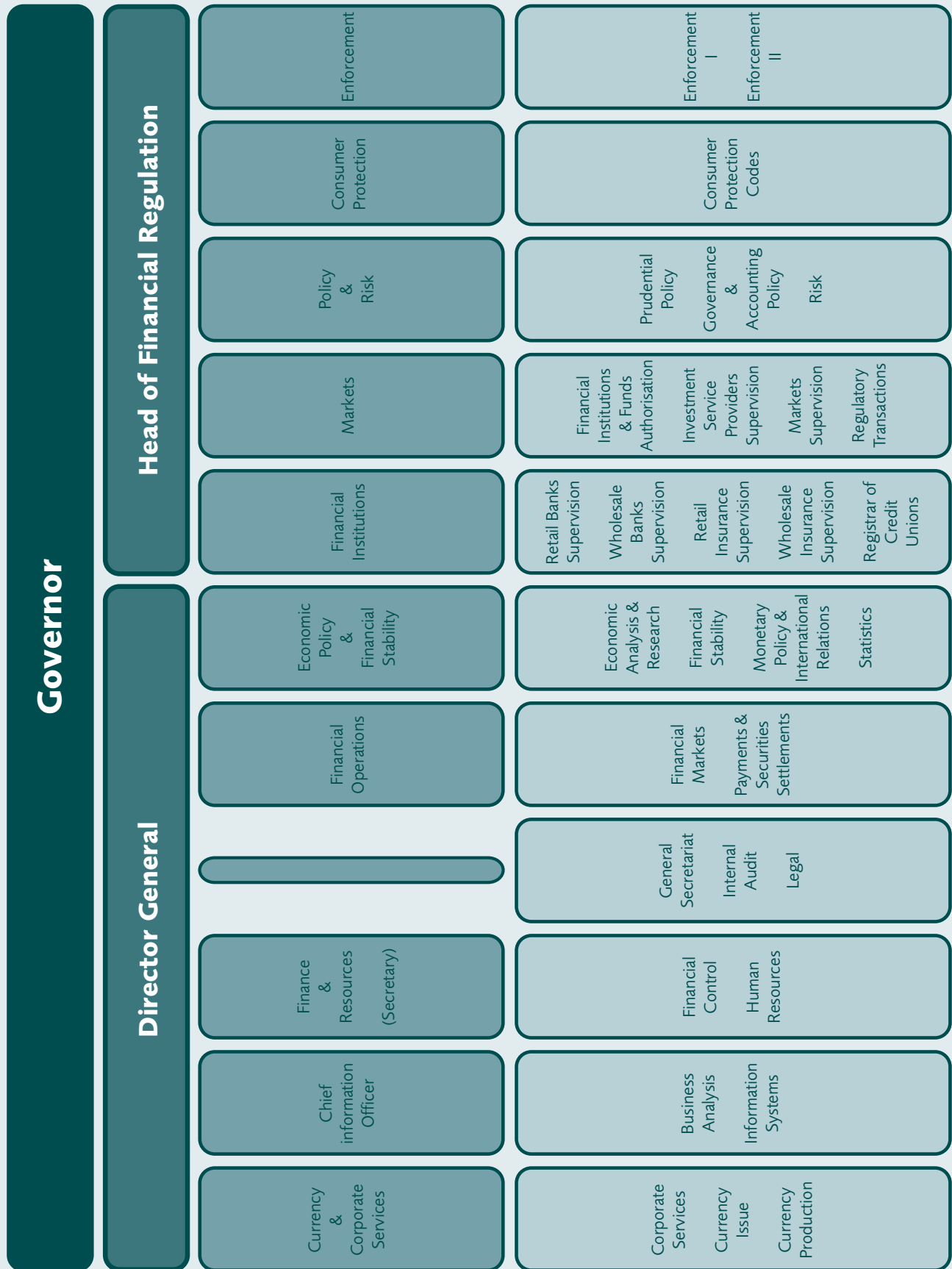
Manage operational risks

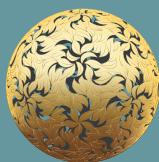
- Ensure operational risks are managed, mitigation measures in place and monitored actively
- Improve business continuity planning
- Prepare contingency plan to ensure that we are able to carry out our 'time critical' market operations in the event that our main premises is not available
- Establish a quality assurance role to review key processes to check compliance with standards and internal controls
- Undertake a compliance project to assure senior management that all statutory responsibilities are being undertaken

Ensure our physical environment meets our business needs

- Provide accommodation for growth in staff numbers
- Develop a long term premises strategy

APPENDIX 1 – ORGANISATION CHART





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Central Bank of Ireland

Eurosystem



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