



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

Philip Lane *Governor*

T +353 1 224 6001 F +353 1 671 5550

Bosca OP 559, Sráid Wapping Nua, Cé an Phoirt Thuaidh,
Baile Átha Cliath 1, Éire.

*Po Box No. 559, New Wapping Street, North Wall Quay,
Dublin 1, Ireland.*

www.centralbank.ie

Senator Neale Richmond
Chairman
Seanad Special Select Committee
on the Withdrawal of the United Kingdom from the European Union
Leinster House
Dublin 2

21 June 2017

Re: Remit of the Central Bank of Ireland

Dear Senator Richmond

Thank you for your letter of 8 June 2017 concerning the remit of the Central Bank.

The Central Bank derives its mandate from legislation enacted by the Oireachtas, subject to the relevant EU Treaties.¹ The Committee will recall that between 2003 and 2010 the Bank had an explicit mandate to “to promote the development within the State of the financial services industry (but in such a way as not to affect the objective of the Bank in contributing to the stability of the State's financial system)”.² The Committee will also recall that the report entitled “The Irish Banking Crisis, Regulatory and Financial Stability Policy 2003-2008” that was written by my predecessor Patrick

¹ See Section 6A of the Central Bank Act 1942 (as amended)

² See Section 5A(1)(b) of the Central Bank and Financial Services Authority of Ireland Act 2003



Honohan clearly highlights how these goals “may well have been in conflict”.³ Furthermore, the conflicting mandates put the Financial Regulator “in a difficult position as the possible adverse effects on discouraging inward investment in the IFSC were more immediate and real than what were perceived as more distant concerns about financial stability. While the stability goal was given explicit priority, the potential conflict between the two goals complicated policy choice”.⁴

I am firmly of the view that the subsequent removal of the objective to promote financial services in the Central Bank Reform Act 2010 was the correct decision. The promotion role can be fulfilled by other government agencies, allowing the Central Bank to focus on its twin regulatory goals of maintaining financial stability and protecting consumers. In particular, removing this potential conflict avoids the potential creation of perverse incentives. While there may be exceptions, I am not aware of any comparable central bank that has an explicit promotional mandate to attract financial services firms to its jurisdiction.

One of the most attractive features Ireland can have as a location for financial sector investment is a reputation for high quality regulation and supervision. The Central Bank of Ireland has adopted a consistent position in relation to Brexit-related supervisory queries. Our regulatory approach is in line with sound practices agreed across Europe to deliver a level playing field in relation to compliance with EU regulatory requirements.⁵

Yours sincerely,

³ Paragraph 7.28 of ‘The Irish Banking Crisis, Regulatory and Financial Stability Policy 2003-2008’

⁴ Ibid

⁵ See for example ECB Banking Supervision's procedures for the relocation of banks to the euro area in the context of Brexit or ESMA's principles on supervisory approach to relocations from the UK's guiding principles.