MINUTES[1] OF MEETING NO. 153 OF

THE CENTRAL BANK COMMISSION

OF 30 JANUARY 2024

Venue: University College Cork and Video Conference

In attendance[2]: Governor Gabriel Makhlouf, Shay Cody, Mary Condon, Sharon Donnery, John Hogan, Sarah Keane, David Miles, Vasileios Madouros, Niamh Moloney, John Trethowan, Neil Whoriskey (Secretary).

1. Opening of Meeting and Procedural Items

Governor Makhlouf opened the meeting.

The Governor asked if there were any other interests to declare outside of those declared at previous meetings. There were none.

He expressed his gratitude to the President of University College Cork, Professor John O'Halloran, and his colleagues, for hosting this meeting of the Central Bank Commission. He noted the importance of the visit, which included various outreach engagements by executive and Commission members with local enterprises and a gathering of various external stakeholders the previous evening, as well as public speaking and local media engagements.

He marked the condolences of the Commission to the family of Private Darragh Kavanagh, a member of the Army who passed away having fallen ill while on guard duty at the Central Bank's Currency Centre. He thanked the staff of the Central Bank who acted as first responders.

[1] These minutes are published as a record of the meeting. The Commission may decide to omit information from the published record that is legally or commercially confidential, where it contains confidential supervisory information, relates to matters under deliberation or where it is in the public interest to do so.

[2] Also present - All items: Derville Rowland, (Deputy Governor Consumer and Investor Protection), Marcella Flood (Chief Operations Officer), Eadaoin Rock, (General Counsel), Deirdre McKenna, (Internal Governance); Micheal O'Keeffe (Chief of Staff); Items 4 - 6: Glenn Calverley (Director of Strategy and Governance); Item 4: William Molloy (Chief People Officer); Item 5: Adrian Varley (Director of Prudential Analysis and Inspections), Peter Towers (Prudential Regulation); Item 6: Gerry Cross (Director of Policy and Risk), Ray Farrelly (Head of Communications), Paul O'Brien (Transformation Office), Patrick Casey, (Consumer Policy & Research), Caroline Mehigan (EU and International Relations), Item 7: Robert Kelly (Director of Economics & Statistics), Martin O'Brien (Irish Economic Analysis).

He welcomed Mary Condon who was attending her first meeting as a Commission member following her appointment on 1 January 2024.

2. **Minutes of Commission Meeting No. 152**

The minutes of the meeting of 5 December 2023 were approved.

3. Matters Arising

Written Procedures

The Secretary noted that, since its meeting on 5 December 2023, the Commission had approved the following items by written procedure: Appointments to the Consumer Advisory Group, Superannuation Fund Asset Allocation Review, and the Environmental Health and Safety Statement.

The Chair of the Audit Committee updated the Commission on matters concerning the external auditors.

The Commission noted the Action Log.

4. Transformation Programme

Marcella Flood introduced this item, which reported on the progress of the Transformation Programme. This included a review of the key milestones and deliverables achieved across the previous period, a look ahead to the milestones and deliverables planned for the coming period, an overview of risks and challenges identified and how they are being managed, and a view on the overall progress of the programme.

The Transformation Programme has made good progress in its first year, mobilising all five work-streams under the Future State Priorities, and putting in place critical enablers of success. The teams had achieved outcomes and impacts across a range of bodies of work and had met milestones that will enable longer-term organisation-wide transformation. While the programme remained on course for successful delivery, she noted that 2024 was a critical year for the programme with a number of deliverables planned, and that the Transformation Board was also focused on meeting various risks and challenges it had identified. The outcome of the recent Employee Engagement Survey was also provided.

In the discussion, members welcomed the update, including the broadly positive outcome of the staff survey, noting the importance of engaging with staff on the delivery of Strategy and the Transformation agenda. It was noted that an important element of all of this was culture, in

particular around seeking to involve staff from across the Bank on various aspects of the Programme. For the next update, it was requested there be more focus on metrics to demonstrate the impact the Transformation programme is having, including expenditure and how that is tracking. Members commented that the report demonstrated that there were already benefits and deliverables that were arising and it would be good to keep a strong focus on that. Members also asked for more detail on how some of the work was delivering on the desire for a more holistic approach and to have a better understanding about what was transformational about the various elements.

In response, the executive noted that the Transformation Programme was grounded in Strategy and the outcomes identified there, and there would be more detailed reporting on that in March. Integration was a key part of that so that the Bank could fully harness its resources in delivery of its mandate. It was noted that some of the work identified under Transformation was in response to a changing global financial system where Ireland played a significant part; the ability for the Bank to deliver on its mandate in such a changing environment was very important and challenging and some of this work was aimed at addressing that. There were other tangible outcomes around how the Bank was using its data in a different and better way, on prioritisation of its work programme, and on external engagement, which was a separate topic on the agenda at this meeting. The team would consider the comments on metrics and tracking for future reporting.

The Commission noted the update on the Transformation Programme.

5. Regulatory and Supervisory Priorities

Sharon Donnery introduced this item. Given the growing scale, complexity and inter-connectedness of the financial sector, and the highly volatile and uncertain operating environment, the Bank has been enhancing its approach to Regulation and Supervision. This includes taking an increasingly holistic and integrated approach to the identification and assessment of risks, and the corresponding articulation of its risk tolerance. Insights from this integrated assessment have been used to inform the prioritisation of regulation and supervision activities during 2024 and the choices to be made regarding the deployment of resources. Output from the integrated risk assessment and prioritisation was being used as the basis for a new annual external report, to be published in February. This approach was in line with the strategic aim of being more open and engaged, and in the interests of explaining to external stakeholders the Bank's assessment of the risk environment and corresponding regulatory and supervisory priorities for the years ahead. Members were also provided with a copy of the

Governor's letter to the Minister for Finance concerning the Bank's Regulatory Priorities for 2024.

In the discussion, members welcomed the report and the importance of sharing it externally. They also welcomed the scope of the report in terms of the extent to which it covered the various relevant mandates of the Bank. There were some queries arising in relation to the scope of risks across non-bank financial intermediaries, market integrity risk, the growth of funds, and the potential for AI to automate some of this work.

In response, executives noted the Report reflected an attempt to approach this in a more integrated way across the Bank. The work included a focus on common risks as well as more bespoke risks. On the non-bank sector, the Bank had changed its supervisory model to have a more integrated and holistic approach on a risk-first priority lens. On market integrity and investor protection issues, the Bank was looking for requirements for disclosure to be more outcomes focused and was pursuing this within the EU supervisory framework. On AI, there was a whole block of work across the organisation that was examining this, both for the Bank itself in terms of how it carries out some of its work, and the implications for the wider system. This included examination of the recently introduce public sector guidance. In conclusion, it was agreed to finalise the report including reflecting some of the issues raised and to publish it shortly. It was planned to hold a seminar for the Commission in April on the evolution of the financial sector in Ireland.

The Commission noted the Regulatory and Supervisory Priorities.

6. How We Engage with our External Stakeholders

(i) Communications and Engagement

Derville Rowland introduced this item. The Bank has taken significant steps in recent years to enhance its external engagement and a dedicated work stream was established under the Transformation Programme to build on that progress and drive the organisational-wide shift in the approach to engagement, with an explicit emphasis on supporting the aspiration of being more open and engaged. Through this work stream, the Bank has completed a Stakeholder Engagement Framework, which has now been aligned with the existing Communications Strategy, to produce a consolidated Communications and Engagement Strategy. Building on this activity-led progress, it was intended to deliver further transformation by embedding change in culture and mind-set, while enhancing the Bank's measurement toolset. The Communications Themes for 2024 were presented, which was a practical example of the Strategy in action.

In the discussion, members were positively disposed to the approach and noted it reflected previous comments and observations at Commission meetings, including around tone and metrics, including trust. There were some suggestions in terms of further enhancing the strategy. This included consideration of more direct engagement with economic actors to gather intelligence and to reflect the Bank's views, and references to engagement with Government and the role the Bank plays with other relevant public sector bodies. It was also suggested to provide focused examples of the outcomes of listening to consumers, some further sharpening of the benchmarks of success, and the benefits of storytelling by bringing to life the positive impact the Bank is having on society through its work.

In response, the comments were welcomed and were reflective of the approach being on the right track. The Framework designed to encourage people and business areas in the Bank to engage more externally. On consumer issues, it was noted that there was a more detailed sub strategy. This included a range of actions, such as getting opinions from consumers with a focus on how the Bank listens as well as to how it informs. On measurement, there was a range of quantitative and qualitative metrics in place and in development.

(ii) EU and International

As part of "Open and Engaged", and complementing, the Communications and Engagement Strategy the Bank had developed an EU and International (EUI) Strategy. Its planned implementation in 2024 includes: coalescing around key themes and priorities for the Bank at EUI fora leveraging our integrated mandate; identifying areas and partners where the Bank can learn from others; a new holistic bilateral engagement strategy; planning towards Ireland's EU Presidency in 2026; an updated approach to secondments; and developing a toolkit to best equip staff to be EUI ambassadors for the Bank. .

As well as domestic developments, EUI-based policy solutions are increasingly important in tackling today's challenges and delivering in a rapidly changing world. It is important that the Bank, in cooperation with the Department of Finance, influence policy as it is developed so that it supports high quality outcomes for the Irish and EU financial systems and for citizens and the wider economy. This is particularly relevant given the size and scale of the sector in Ireland, where many files have broad application. Due to its integrated mandate, the Bank can bring unique insights to EU and international discussions, and the overall approach was to continue to build its influence internationally.

In the discussion, members welcomed the Strategy including its integrated and holistic perspective. There were comments noting the benefits to the Bank and the need for an

enhanced level of influence externally to deliver on its mandate in a changing environment. There were queries on the level of resources that were applied to EUI activity and balancing with domestic requirements and how that was best managed. This was seen to align broadly with the Department of Finance view and approach, and the importance of the Bank working closely with the Department generally on EUI issues and especially on the EU Presidency was emphasised.

In response, it was stressed that EU and international work was central to how the Bank operates and delivers on its mandate. The Bank is part of the ECB Governing Council deciding euro area monetary policy; at the Supervisory Board of the SSM deciding on banking supervision; and at the Boards of Supervisors supervising and regulating insurance, banking and securities and markets. EUI activity forms part of people's day-to-day work, and the European system in particular permeated much of the Bank's mandate. The need to have a strong international voice and influence was reflective of the need to give assurance that high global supervisory stands applied to the financial sector located. Being respected by our peers was part of the Bank's vision, and the EU and International strategy was fundamental to that, as was how we engage domestically. Both of the issues, and the previous item on regulation and supervision, were demonstrative of how the Bank was delivering on the outcomes identified in its Strategy.

The Commission noted the update on engagement with external stakeholders.

7. Challenges and Opportunities for Long-Term Sustainable Growth in Ireland

Vasileios Madouros introduced this item. Effectively achieving the Bank's economic advice mandate required it to look beyond near-term economic developments and consider the longer-term trajectory for the economy. The Irish economy had transformed in recent decades, but had also been subject to large economic and financial shocks. Demographics, digitalisation, climate change and the changing shape of global economic integration were key structural forces that would affect the future evolution of the Irish economy. Economic policy choices made today would determine how well placed the Irish economy was to respond to these structural forces in the future, but also entail trade-offs. He set out how the Bank was approaching its consideration of these issues by examining: how we evaluate long-term prospects for the economy; the drivers of growth over the past half century; where we might be going over the next half century, given long-term structural forces; and, plans for our analytical agenda in relation to long-term growth. He noted that this was also the theme of the Governor's public remarks this afternoon in University College Cork as part of the Commission's visit.

In the discussion, it was considered very useful to have such an analysis on the long-term challenges and opportunities to the economy. Members highlighted some elements of the paper

including those around household wealth, productivity, demographics, geo-political considerations, and the type of public spending that might be required in the future.
In response, it was noted that the composition of household wealth was an area of focus for the Bank, and for the wider Eurosystem. In terms of assets, wealth was typically concentrated on housing and deposits. The Bank would be publishing work on the distribution of wealth amongst Irish households. The discussions at Commission over the past year on Foresight, which included geo-political issues, was referenced and this work would be further updated this year.
The Commission noted the update on Challenges and Opportunities for Long-Term Sustainable Growth in Ireland.

8. Executive Report

Governor Makhlouf introduced this item.

Derville Rowland provided an update on mortgage arrears, which continued to be a key area of focus. Members also noted the recent engagement the Bank had with IDA Ireland. For the second year, a large IDA delegation from across the world met with the Central Bank to share information and perspectives, in particular in relation to the authorisation of firms. The IDA very much welcomed the continued engagement and further follow-up sectoral meetings will be arranged in due course.

The Commission noted the Executive Report.

9. Any Other Business

The Governor thanked the Internal Governance and Communications teams for the organisation of the meeting and related events as part of the Bank's outreach visit to Cork.

The meeting closed.