

**MINUTES¹ OF MEETING NO. 138 OF
THE CENTRAL BANK COMMISSION
OF 1 MARCH 2022**

Venue: North Wall Quay and via Videoconference

In attendance²: Governor; Patricia Byron, Shay Cody, Sharon Donnery, Sarah Keane, David Miles, Niamh Moloney, John Hogan, John Trethowan, Neil Whoriskey (Secretary).

1. Opening of Meeting and Procedural Items

The Governor opened the meeting. He asked if there were any interests to declare, outside of those declared at previous meetings. Shay Cody referenced his membership of the Defence Forces Commission; its recent report had contained some references to the army providing security details to the Central Bank.

The Governor noted that he circulated a paper the previous day referencing an update to the Plan of Assignment, following the announcement of the departure of Ed Sibley as Deputy Governor.

The Governor noted that there would be an update on the Ukraine crisis presented as part of the Executive Report.

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; Gerry Quinn, (Chief Operations Officer); Derville Rowland, (Director General, Financial Conduct); Eadaoin Rock, (General Counsel); Deirdre McKenna, (Internal Governance); Items 5 and 7: Vasileios Madouros, (Director of Financial Stability); Item 5: Patrick Haran, Caroline Mehigan, Jillian Fleming, Seana Cunningham, (members of Working Group on Ukraine/ Russia); Item 6: Glenn Calverley (Director of Strategy & Governance), Claire Hackett, (Strategy & Foresight); Item 7: Adrian Varley (Director of Prudential Analysis & Inspections), Aoife Langford, (Resolution & Crisis Management); Item 8: Yvonne McCarthy, Phillip Brennan, (Climate Change Unit); Item 9: Mary Elizabeth McMunn (Director of Credit Institutions Supervision), Colm Kincaid (Director of Consumer Protection); Item 10: Annemarie Britz, Susan Falkner (Financial Control), Paschal Finn, Ruth Gleeson (Organisational Risk); Items 11-13: Kevin O'Brien (Consumer Protection); Item 11: Gerry Cross (Director Financial Regulation – Policy & Risk), Katie Philpott (Consumer Protection); Items 11 and 12: Bernie Mooney (Consumer Protection); Item 12: Robert Devereux, David Hynes (Consumer Protection); Item 15: Tom Meade, John Fisher (Internal Governance); Item 15: Bernard Sheridan (Director of Currency and Facilities Management).

2. Minutes of Commission Meeting No. 137 – 25 January 2022

The minutes of the meeting of 25 January 2022 were approved.

3. Matters Arising

It was noted that Commission members were in receipt of two communications from individuals over recent weeks. Internal Audit was currently examining the matters raised in these communications under the Central Bank's Complaints Handling Procedure. Internal Audit would provide an update on these matters in due course once the examinations were complete.

4. Updates from Sub Committee Chairs

John Trethowan, Chair of the Risk Committee, updated the meeting on the recent meetings of the Risk Committee on 24 February and of a meeting of the Joint Audit and Risk Committees on 8 February. Both meetings considered a number of financial risk items, including those relating to the Central Bank's Annual Accounts considerations, and which were before the Commission at its meeting today. The Risk Committee also considered the Bank's investment performance for 2021. Data protection was a theme running through a number of the items at Risk Committee level and he noted that the Data Protection Officer was to present his biannual report to this meeting of the Commission. He also suggested that the Commission should be updated in due course on the operation of the anti-money laundering registers. The Committee also considered operational risk updates. He noted ongoing enhancements to the quality of reports at the Committee level and thanked the relevant teams for that.

Sarah Keane reported on the inaugural meeting of the Major Projects Committee, noting its draft terms of reference were before the Commission for approval today. She thanked the teams involved for the preparations leading up to the meeting and the standard of papers presented. It was clear that there were capacity constraints when it came to projects and that the Committee would be focused at future meetings on the demand pipeline and would be linking this into the new Strategy, in particular the Transforming theme. The Committee also received a report on the benefits realised from the Print Works project; reviewing the benefits arising from significant projects would be an important focus of the Committee at future meetings.

The Commission noted the updates from the sub-committees.

The Commission noted the Minutes of the Risk Committee meeting of 29 November 2021.

5. Executive Report

The Governor introduced this item. He noted the significant developments in relation to Ukraine, which were fast moving. It intersected with the work of the Bank in various ways. He asked the Director of Financial Stability Vasileios Madouros to update the Commission on this.

Update on Ukraine

Mr Madouros noted that the invasion of Ukraine had led to a material increase in uncertainty over possible future geopolitical and, therefore, macro-financial, outcomes. There had been a very rapid and comprehensive response by western governments to the invasion. The situation was continuously evolving, with more sanctions added on an almost daily basis. A sharp repricing of Russian assets had already taken place. There was a broader flight to safety in markets evident while, so far, 'core markets' had not seen market volatility or dysfunction rise to levels seen during the early COVID-19 shock. The direct links of the Irish financial system and economy to Russia were small, with the main channels of risk stemming from second-round effects, such as the impact of energy prices, wider inflationary pressures and a heightened threat of cyber-attacks. There were also some Irish-specific concentration issues, including special purpose entities (SPEs) with links to Russia as well as the impact of the shock on aircraft leasing. In relation to financial sanctions, Derville Rowland noted that the Bank was one of three competent authorities responsible for the administration and enforcement of sanctions in Ireland, the others being the Department of Foreign Affairs and the Department of Enterprise, Trade and Employment. The Bank's role was limited; it did not have the power to investigate substantive breaches of sanctions and to take enforcement action in respect of any such breaches. Where the Bank becomes aware of a potential breach of a financial sanction, this is reported to the Gardaí and the EU Commission.

In the discussion, members raised matters concerning the feed through of energy costs to households, the risk to consumers of financial frauds that might arise in the current environment, and cyber security risks. In addition, the role of the Bank in relation to financial sanctions was discussed and it was noted that there were considerations at cross-agency level on the implications of the invasion of Ukraine, including via the Financial Stability Group (FSG).

Other Executive Report Items

Derville Rowland updated the meeting on the forthcoming publication of The Consumer Protection Outlook Report 2022. The Report is aligned to the new Strategy, consistent with the new strategic themes, and framed against the backdrop of a rapidly changing financial services

landscape. It is focused on the risks to be managed by financial services firms and details the Bank's expectations on how firms should manage these risks to avoid consumer harm.

Gerry Quinn provided an update on the process around the planned sale of the Spencer Dock premises. He also updated on the Bank's inclusion as part of the Land Development Agency Act.

The Governor reported on a recent high level meeting of officials from the Central Bank and Department of Finance, which took a forward look at the coming period and was a useful forum for the sharing of relevant perspectives. He also noted that he had written to the Minister for Finance setting out the Bank's financial regulation priorities for the coming year; the Bank would shortly publish the letter.

The Commission noted the Executive Reports.

6. Annual Business Plan

Claire Hackett of the Strategy & Foresight Division introduced this item, which related to the development of a consolidated Annual Business Plan (ABP) that specifies the material business objectives to be pursued in the year ahead and associated responsibilities and resources. The Plan would enable better monitoring of progress and performance and, in time, facilitate the development of key performance and outcomes indicators and associated dashboards for the Bank as a whole. She noted that, considering 2022 is the first year of the new Strategy, the development of the Plan entailed collating existing local planning information to establish a baseline of objectives that respective areas of the organisation intend to pursue this year. This would set the foundation for the on-going development and tracking of the progress of strategic and operational activities, and for further development of the structure and content of the Plan over the course of the coming 18 months under the auspices of the recently established executive Performance & Resourcing Committee.

In the discussion, members welcomed the update. It was noted that this was an iterative process and in many respects was about preparing a plan for 2023 with related budget and clear KPIs and outcomes. One member noted the importance of making a link with the Bank's Mission, Vision and Values in the Plan. Another member said that while most of the objectives were clear and precise, some were more open ended and it was not entirely clear who was responsible, it would be necessary to tighten up in some places. Another member referenced the large number of objectives and the importance of prioritisation; it would also be important to be clear what was being de-prioritised, particularly in the supervisory area. In response, Claire Hackett said that there was a recognition of the need to be clear on some objectives and to bring a level of

consistency to their presentation. Reference to the mission, vision and values would be included in the next iteration. In terms of prioritisation, Derville Rowland said that there were ongoing choices around prioritisation being made; for example, there was a need to re-prioritise some supervisory work in order to deal with the authorisation pipeline, while the Ukraine/Russia crisis would require further re-prioritisation. She welcomed a discussion and debate on risk tolerance and on how best to manage external expectations and that work was underway on that.

Claire Hackett noted that planned next steps would include a management workshop to refine the Plan, with a further update to the Commission at its May meeting. In parallel, development and implementation of a comprehensive planning and reporting framework will take place during 2022, with the longer-term aim being to develop performance and outcomes indicators.

The Commission noted the Annual Business Plan Update.

7. COVID 19 Task Force Lessons Learned Report

Vasileios Madouros, Director of Financial Stability, introduced this item. The COVID 19 Task Force Lessons Learned Report set out, among others, the key lessons from the approach that the Bank took to respond to the pandemic over the course of the previous two years and implications of those lessons for the implementation of the Bank's new Strategy. The Task Force had a clear focus on outcomes it sought to achieve in response to the pandemic, which, in turn, guided priority activities. Given the numerous channels of impact of the pandemic across the entire economy and financial system, that there was a thematic cross-Bank organisation of the work, maximising the benefits of a 'One Bank' perspective. Overall, this approach enabled greater agility in work planning and resourcing, facilitated by regular reviews and adjustments to take account of the evolving external environment. He noted that the Task Force was considered particularly accessible and inclusive, with a less 'detached' style than other committees, enabling more open discussions and debate, across a range of topics. These experiences should help facilitate some of the approaches the Bank takes to deliver on the new Strategy. He also identified some of the specific follow-up items that would now be integrated into the Bank's work planning as part of the Strategy. This included work concerning credit conditions, bank stress testing, recovery and resolution, the investment fund sector, and non-traditional risks.

Members thanked the team for the Report and recognised that it strongly demonstrated the agility of the Bank to respond to an issue with multiple dimensions. One member noted the

Bank's engagement with the regulated sectors during Covid, including on forbearance and proportionality, linking the relevance of this to the Bank's Open and Engaged strategic theme. Another member said that the crisis clearly demonstrated why the Bank had required banks to hold the levels of capital they had, which served the system and broader economy well when the pandemic hit. The member noted that it was important for stakeholders to understand that crises happen more often than expected and the banks, and ultimately their customers, saw the benefits of having a sound capital position when this particular crisis occurred. Mr Madouros agreed with the importance of building up capital buffers in 'good times', and, equally, the importance of allowing those buffers to be used in 'bad times' so that financial system can absorb shocks and maintain the supply of lending to the economy. This was also relevant in terms of the messaging and engagement with the sector; it was important for stakeholders to understand that the actions the Bank takes – both in 'good' times and in 'bad' – are aimed at ensuring the financial system is better placed to absorb adverse shocks and maintain the provision of services to households and businesses. Sharon Donnery said that the approach taken meant that there was a clear picture across all sectors and firms and that the Bank's response and engagement was tailored and proportionate. The Governor thanked the team and all the individuals involved in this across the organisation; he noted the importance of undertaking such lessons learned exercises and the benefits that accrues when planning future work.

The Commission noted the COVID 19 Lessons Learned Report.

8. The Climate Change Unit and Work Programme

Yvonne McCarthy, Head of the Climate Change Unit, introduced this item. She contextualised the establishment of the Bank's Climate Change Unit and its Work Programme around the economic and financial risk associated with climate change. The Irish Government had set out its commitment to help tackle climate change, including through the revised Climate Bill, published in 2021, and the latest Climate Action Plan, that set various targets out to 2030. In the European context, there was an Action Plan on Financing Sustainable Growth, and a Renewable Sustainable Finance Strategy from the European Commission. The Bank, for its part, was engaged on its own work programme on climate change. The new Climate Change Unit was at the centre of a hub and spoke model in the Bank that was focussing on developing a cohesive Climate Risk Assessment Framework and taking a strategic overview of the work on climate change across the organisation. The hub and spokes model was focused specifically on climate risk and sustainable finance and the model was now operational with a detailed three year forward looking roadmap. A number of roadmap outcomes had been set out, including:

developing relevant knowledge and technical expertise; providing timely insights to help inform the broader public policy debate; equipping staff to supervise firms for climate related risks; working to ensure that regulated firms made progress in this area and that the market for sustainable finance would support the transition to a carbon neutral economy, while protecting the interests of consumers; identifying data gaps; and enhancing engagement with stakeholders on these issues. The Bank was also developing a Climate Risk and Sustainable Finance Forum to help build and accelerate a shared approach among industry and the Central Bank to the understanding and management of the financial risks and opportunities posed by climate change.

In the discussion, members welcomed the update and the work plan as set out. It was noted by members that the focus on this area was vital and it cut across many areas of the Bank's mandate. The proposed forum was also welcomed; the importance of senior level industry representation on this forum was emphasised by one member. Another member welcomed the work concerning monitoring product and disclosure requirements. The Governor noted that this was an area that involved the wider policy making family in the State and Europe and it was very important that the Bank was playing its part in that.

The Commission noted the Climate Change Update.

9. Authorisations Process

This minute is partially omitted as it contains reference to matter that remains under deliberation and also contains supervisory information.

Mary Elizabeth McMunn, Director of Credit Institutions, and Colm Kincaid, Director of Consumer Protection introduced this item, which served to provide an update and overview to the Commission on the Bank's authorisation process. In line with the new Strategy, the Bank was continuing to evolve its supervisory frameworks, prioritising early engagement with firms, enabling them to engage at preliminary phase to gain information and guidance about the authorisation process. There are considerable European legislative requirements and guidelines that set and inform the Bank's authorisation requirements and expectations. Features and challenges of the authorisation mandate over recent times have been high volume levels, new business models, high variability in business models and increasing complexity in product offerings, and new entrants inexperienced in regulatory risk and compliance. The growth and complexity of the financial sector has continued apace since 2018, enabled by significant numbers of authorisations and driven by Brexit, Fintech, and new mandates. Pipeline

levels have remained consistently high and not all applications convert to supervised firms. Despite the growth in applications and pipeline, the Bank substantially meets its published service standards across the various sectors. Reprioritisation of supervisory resources into authorisation work has been a key response to authorisation challenges; however, this is not without risk.

The members welcomed the presentation and update. Queries were raised in relation to some external impressions that securing authorisation in Ireland can be more onerous than other jurisdictions, and whether there was benchmarking undertaken. Other queries focused on whether post-Brexit authorisation applications had peaked and on the Bank's engagement with advisors to applicant firms and challenges with ensuring relevant board level oversight within newly authorised entities.

In response, it was noted that the Bank applies EU standards and norms to its authorisation process, but was seeking to be forward looking in its approach; it wanted resilient firms that can cope with changing circumstances, and that is the robustness of the approach that is taken. It was noted that there was a strong drive at EU level to have rigorous authorisation processes and a strong drive for substance. In relation to the number of applicants, this was not expected to fall off and would in all likelihood increase. While there were levels of engagement with advisors, it was essential to get to the institutions themselves. Early engagement with some of the firms at expression of interest stage was showing a stronger understanding of the Bank's expectations. In terms of board representation, this was a real and genuine challenge and it was a wider challenge for the State to make sure the expertise is there.

The Commission noted the update and agreed to keep under consideration how best to support this work.

The Commission noted the Authorisation Process Update.

10. Annual Accounts

This minute is partially omitted as it contains information that remained under deliberation

Ruth Gleeson of the Organisational Risk Division presented a summary of a number of items for the end-2021 Statement of Accounts that were presented for decision. These items had been considered by the Audit and Risk Committees meeting in joint composition, by the Risk Committee and by the Executive Leadership Committee, and related to the following:

- Valuation of the Floating Rate Notes (FRN) portfolio to be used in the annual accounts, where judgement was required;
- The Bank's financial buffers, held to offset losses that may arise; and
- The valuation of the Bank's defined benefit pension scheme and actuarial assumptions used for this purpose.

The Chair of the Risk Committee confirmed that the Risk Committee and the Audit and Risk Committees meeting in joint composition, had considered these items at their recent meetings and engaged in detailed discussion with management and staff on them. He noted that the Committees were endorsing the approval of these items by the Commission at this meeting. The Commission was requested to approve the proposed valuation of the FRN portfolio for use in the Bank's 2021 Statement of Accounts; approve the recommendation that no provision is required as a result of the 2021 Internal Impairment Assessment and to note the outcome of the ECB Impairment Tests; approve the transfer of profits, as defined in the Regulations, to the Bank's general reserve; approve a general risk provision; and, approve the presentation of the pension assumptions as recommended for inclusion in the 2021 Statement of Accounts.

The Commission approved the accounts items as set out in Paper No. C22 045.

11. Differential Pricing – Proposed Central Bank Measures

Kevin O'Brien, Head of Consumer Policy and Research Division, presented this item, which sought Commission approval to the proposed final measures relating to differential pricing. The proposed measures to ban price walking were set out for public consultation in July 2021. Following analysis of the responses to the public consultation, it was now proposed that the practice of price walking be prohibited from 1 July 2022. This prohibition will extend to all retail home and motor insurance consumers impacted by this practice. Detailed Q&A/Guidance will be issued to clarify the scope of the price walking measures. Additional transparency, disclosure and behavioural prompt proposals relating to automatic renewal will also be implemented from 1 July 2022. He noted that further work would be undertaken in relating to regulation of consent around automatic renewals.

The Commission approved the Differential Pricing proposals as set out in Paper C22 046.

12. Amendments to Consumer Protection Code 2012, Minimum Competency Code 2017, and Minimum Competency Requirements 2017

Commission approval was sought for the issuing of Addendums to the Consumer Protection Code 2012 (the Code Addendum), the Minimum Competency Code 2017 (the MCC Addendum) and regulations amending the Minimum Competency Regulations 2017 (the MCR), as a result of the impending enactment of the Consumer Protection (Regulation of Retail Credit and Credit Servicing Firms) Bill 2021.

The Commission approved the amendments to the Consumer Protection Code 2012, Minimum Competency Code 2017, and Minimum Competency Requirements 2017 as set out in Paper No. C22 047.

13. Consumer Advisory Group – Appointment of New Members

Kevin O'Brien, Head of Consumer Policy and Research Division, presented this item, which proposed to appoint two new members to the Consumer Advisory Group (CAG), one to replace a member whose tenure expired at end 2021, and one to extend the membership of the CAG by one; and to reappoint an existing member for a further three years. He noted that the increase in the membership of the CAG, along with the proposal to enhance its agenda, was linked to the overall objective of enhancing the Bank's engagement with stakeholders in line with the strategic theme of being open and engaged. The role of the CAG in advising the Bank in relation to its consumer protection work also contributes to the Bank's Safeguarding objective.

The Commission approved the appointments to the Consumer Advisory Group, as set out in Paper No. C22 048.

14. Major Projects Committee Terms of Reference

Sarah Keane, Chair of the Major Projects Committee, introduced this item. She noted that the Commission had previously agreed to the establishment of a Major Projects Committee (MPC), pending the finalisation of the Bank's new Strategy. The MPC held its first meeting on 23 February 2022, and discussed and agreed a Terms of Reference to apply to the Committee. The MPC was recommending the Commission approve the draft Terms of Reference as set out in Paper no. C22 049. She noted that the MPC would keep its Terms of Reference under review, particularly as it develops and evolves.

The Commission approved the Terms of Reference of the Major Projects Committee.

15. Report of the Central Bank's Data Protection Officer

Tom Meade, Data Protection Officer, presented the bi-annual report for the period July – December 2021 in respect of the Bank's compliance status with Data Protection obligations. He had assessed that the Bank has an Amber rating in respect of its compliance with Data Protection obligations, reflecting no changes in the compliance status since the previous report. The Bank is a significant processor of personal data and consequently runs various risks in processing this data. A number of enterprise data protection risks identified in previous reports remained open and some data protection risks had materialised.

John Trethowan, Chair of the Risk Committee, noted that the Committee had considered the Report in detail at its meeting on 24 February 2022. He noted that the Committee was supportive of the work of the Data Protection Officer and function and that data protection was identified by the Committee as a significant risk area for the Bank, given the volume of personal data it processed.

The Commission noted the Report of the Data Protection Officer.

16. Annual Report on Corporate Social Responsibility

Bernard Sheridan, Chair of the Corporate Social Responsibility Working Group presented the Bank's Corporate Social Responsibility (CSR) Annual Report for 2021. The Report highlighted the Bank's commitment to being a socially responsible and sustainable organisation and was aligned with its values. The Report highlighted various key initiatives under the five CSR pillars of Environment, Workplace, Community, Marketplace, and Governance and Communications.

The Commission welcomed the Report and thanked all those involved in the various activities set out. This was seen as an important touchpoint with public engagement and told a very positive story overall. It was noted that it contained quite a lot of innovative items and it would be good to publicise this more widely, including through the Bank's Annual Report.

The Commission noted the Annual Report on Corporate Social Responsibility.

17. Any Other Business

There was no other business.

The meeting concluded.