

**MINUTES<sup>1</sup> OF MEETING NO. 79 OF  
THE CENTRAL BANK COMMISSION  
OF 28 APRIL 2017**

**In attendance:** Governor, Alan Ahearne, Patricia Byron, Blanaid Clarke, Sharon Donnery, John FitzGerald, Des Geraghty, Derek Moran, Bernard Sheridan, Michael Soden, Neil Whoriskey (Secretary).

**Also present<sup>2</sup>:** Gerry Quinn (Chief Operations Officer), Paschal Finn (Head of Function, Legal Division), Liz Joyce (HR Director – Item 9), Derval McDonagh (Head of HR Division – Item 9), Gabriel Fagan (Chief Economist – Item 10), John Flynn (Head of Irish Economic Analysis Division – Item 10), Joe McNeill (Head of Statistics Division – Item 10), Gillian Phelan (Head of Monetary Policy Division – Item 10), Kevin Garland (Chief Information Officer – Item 13), Angela Madden (Information Management and Technology Directorate – Item 13), Derville Rowland (Director, Enforcement – Item 14), Louise Carpendale (Head of Function, Regulatory Decisions Unit – Item 11), Conor Lavelle (Regulatory Decisions Unit – Item 11), Deirdre Walsh (Head of Function, Central Credit Register – Item 15).

## **1. Procedural Items**

The Governor welcomed members to the first Commission meeting to be held at the Bank's new Dockland Campus. He noted the meeting was quorate. He asked if members had any interests to declare. He informed the meeting that he and Acting Deputy Governor Sheridan would absent themselves for item 11; they both held specific statutory roles in relation to this item and would therefore abstain from participating in the decision by the Commission. Ms Clarke had agreed to chair the meeting for this item.

There were no further declarations of interest.

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<sup>1</sup> 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.

<sup>2</sup> Those members of management and staff presenting specific proposals for decision are only present when the item is being discussed by the Commission, and are not present when the decision is taken.

The Commission adopted the agenda, with some re-ordering of items to facilitate those attending.

## **2. Minutes of Commission Meeting No. 78 (24 March 2017)**

The Commission approved the minutes of its meeting held on 24 March 2017 (Meeting No. 78).

## **3. Matters Arising**

There were no matters arising.

## **4. Governor's Report**

The Governor introduced this item. He had recently attended the Spring Meetings of the World Bank and IMF. Among the issues discussed were those considered to be the primary global risks at this time – trade protectionism, financial fragmentation, and cyber security risk. He informed members of recent management appointments in the Asset Management and Credit Institutions Directorates. He also informed the meeting of the appointment of two Special Advisors – Martin Moloney for Policy and Risk; and Anne Marie McKiernan for International Relations. Ms McKiernan would also be recommended to the Minister for Finance for appointment as Alternate Director at the IMF. The Governor noted the recent seminar for Commission members which focused on the organisation of the Financial Regulation pillar and said the Commission would return to this over the coming weeks.

**The Commission noted the Governor's Report.**

## **5. Brexit Update**

The Governor introduced this item. He updated members on the ongoing process around applications for authorisation. Mr Sheridan informed the meeting that the Bank would host two industry roundtables over the coming weeks that would focus on Brexit-related issues.

**The Commission noted the Brexit Update.**

## **6. Deputy Governor's Report (Central Banking)**

*This minute is partially omitted as it contains material that is subject to a deliberative process.*

Ms Donnery introduced this item. She reported on a further disposal of €500m of the Floating Rate Notes from the Special Portfolio to the National Treasury Management Agency (NTMA) on 27 March 2017, the second such disposal in 2017.

In the first quarter of 2017, the Bank received 30 reports through its Whistleblower Desk; this compared with nine reports received in the same period in 2016. While there was no specific industry sector behind the increase, it was noted that the spikes had occurred around the media coverage of the technical issues regarding the Whistleblower line. During the period, responsibility for the operation of the Whistleblower Desk transferred, as previously planned, from the Organisational Risk Division to the Enforcement Advisory Division.

**The Commission noted the Deputy Governor's Report (Central Banking).**

## **7. Financial Regulation Report**

*This minute is partially omitted as it contains supervisory material*

Mr Sheridan introduced this item. He updated members on developments at Charleville Credit Union, which had been subject to media reporting in recent times. He noted a number of public engagements in relation to credit unions in recent weeks.

He updated members on progress of the Examination of Tracker Mortgages. The Bank had published an updated progress report on the Examination on 23 March 2017 together with certain relevant framework documents. The Examination was discussed at the Oireachtas Committee on Finance, Public Expenditure and Reform, and Taoiseach on 4 April. He also updated members on the Financial Action Task Force (FATF) evaluation of Ireland, which included the effectiveness of national Anti-Money Laundering (AML)/Countering the Financing of Terrorism (CFT) systems.

One member welcomed the recent publication by the Bank of mortgage switching research and suggested that a further potential area for related research would be to look at switching within

other non-financial sectors and switching in other jurisdictions that could potentially be used to inform this work.

**The Commission noted the Financial Regulation Report.**

**8. Chief Operations Officer's Report**

*This minute is partially omitted as it contains material that is subject to a deliberative process.*

Mr Quinn introduced this item. He reported on a number of IT initiatives. The forecasted spend profile in relation to IT investment was such that it would significantly exceed the agreed investment budget. On the assumption that the various individual projects were approved this would require a drawdown from contingency. The matter would be referenced at the Budget and Remuneration Committee.

The final move into the North Wall Quay building was completed on 31 March 2017, and the overall move project concluded with the relocation to Spencer Dock on weekend of 8 April 2017. There were no significant operational issues arising over the five move weekends or in the following days and weeks.

**The Commission noted the Chief Operations Officer's Report.**

**9. HR Priorities 2017 and Resourcing Strategy**

Ms Joyce introduced this item. At the beginning of this year, the HR Directorate undertook a period of review and analysis and identified three priority areas for focus in 2017 - resourcing; improved HR processes, systems and controls; and, optimising the outcomes of the Organisation Review.

The resourcing challenge was clear. There had been a 64 per cent increase in the number of staff in the Bank in the last 10 years. A further increase of 200 staff had been identified for 2017. Turnover levels were trending at 7 per cent and, at any point in time, approximately 70 staff were on long-term leave from the Bank, primarily through external secondment. More than half of all roles advertised were filled internally, creating a high volume of 'knock-on' vacancies. In Q1 2017, 149 job offers were accepted; however, there had been a net increase of only five full time equivalents (FTEs). It was therefore not feasible to expect all vacancies

would be filled this year. In order to help address this, a resourcing strategy had been developed. This focused on the requirement to fill the vacancies utilising a number of initiatives; the need to develop a stronger talent pipeline for the future; and, the opportunity to leverage current opportunities in order to better communicate the employee value proposition, both internally and externally.

The other priority areas identified were around the need to bring about improvements to HR processes, systems and controls; and to optimise the outcomes of the recent Organisation Review. This latter objective would allow the Bank to leverage the investment already made in the organisation redesign, the creation of role profiles and the design of the Career Framework.

The Commission welcomed the proposals. Members noted the challenging recruitment environment and the levels of churn, which were also evident in some other sectors. They welcomed the dual approach of recruiting externally and growing internally at different levels. The Governor noted that, while some areas were stretched and there had to be a prioritisation around allocating resources, overall it currently remained manageable and it was important that the Bank hired appropriate matches to the work and grew at a sustainable rate in order to absorb and develop new staff into the organisation.

**The Commission noted the HR Priorities 2017 and Resourcing Strategy.**

## **10. Economics Directorate**

Mr Fagan introduced this item. He updated the Commission on developments in the Economics Directorate. He focused on a number of strategic items. In Statistics, one of the key priority items was the Analytical Credit Datasets (AnaCredit) project, which was a Eurosystem-wide project to set up a dataset containing detailed information on individual bank loans in the euro area, harmonised across all Member States. The Bank was also engaged with the Department of Finance and other stakeholders on developing a national insurance claims database, which arose out of recommendations from the Cost of Insurance Working Group. Under its Economic Analysis Division, the Bank was developing its modelling work, including enhancing and expanding its fiscal and labour market modules and the integration of the medium-term structural model into policy analysis and forecasting activities. On the research

front, a key focus was on enhancing understanding of household consumption and financial behaviours. While, in the monetary policy area, one of the main areas of focus was around participation in international research networks/task forces on monetary policy, including the ECB's expert group studying the causes of low inflation.

In the discussion that followed, one member suggested it would be useful for the Bank to consider from a research perspective the potential issues facing the economy over the coming five years, such as housing supply and competition in banking. It would be beneficial to think strategically now about research that could inform debate and policy over the coming period. The same member also referenced a paper published in the Bank's Quarterly Bulletin in recent years on the value add of the financial sector to Ireland and suggested this could be re-visited and updated. Another member welcomed the development of a national claims database and said that the legislative powers required to gather this information should be considered. Mr McNeill said the Bank was working closely with the Department of Finance on various aspects of this, including legislative.

**The Commission noted the Economics Directorate update.**

## **11. Appointment of a Suitably Qualified Person to Perform Fitness and Probity Functions**

*The Governor and Acting Deputy Governor Sheridan were not present for this item.*

*Ms Clarke chaired the meeting for this item.*

*This minute is omitted as it relates to supervisory proceedings.*

## **12. Code of Practice for the Governance of State Bodies**

Mr Whoriskey introduced this item. He recalled that the Commission had already considered the approach the Bank would take to the provisions of the revised 2016 Code of Practice for the Governance of State Bodies at its meeting on 28 April 2017. Following the feedback received, the accompanying paper (Paper No. 115 of 2017) detailed the individual provisions of the Code along with indicating whether the Bank should (i) apply certain provisions (where relevant providing an update on how some of these provisions are currently applied); (ii) apply certain provisions but adapted to take account of the Bank's particular governance framework

and statutory requirements; and (iii) not apply certain provisions because they were not relevant to the Bank, but rather a matter for the Minister / Government Department.

**The Commission approved the proposed approach to the application of the Code of Practice for the Governance of State Bodies.**

### **13. Information Security Programme**

*This minute is omitted as it relates to the Bank's security.*

### **14. Document Management System**

*This minute is partially omitted as it contains commercially sensitive information.*

Ms Rowland introduced this item. The Electronic Document and Record Management Solution (EDRMS) is an electronic filing cabinet that provides a framework for organising and managing electronic documents and records, and by supporting the conversion of hard copy documents into digital versions. Through sophisticated search engines and email integration, it allows for quick access to any document or record. An EDRMS also provides collaboration, workflow capability and document lifecycle management.

A project to establish a fully functioning EDRMS for the Bank had been identified as a key enabler under the Bank's Strategic Plan 2016-2018. The proposed supporting governance framework around an EDRMS would include an electronic records policy, procedures, business processes, information governance and the change management programme to deliver and embed good information management practice.

The project had completed a robust public procurement process and selected a winning tenderer. It was now proposed to proceed with the purchase of an EDRMS and provide support for its initial deployment in the Enforcement Directorate and the Legal Division

The next project stage would be completed in Q4, 2017 with the solution deployed to the in-scope divisions by Q4, 2018.

The Commission was informed that, in addition to the requested external expenditure, deployment of the EDRMS to the in-scope divisions would require: internal expenditure (Business, Project Management Office, Change Management and IT resources) to implement the system, which was estimated at €2.2m; temporary additional headcount of three FTEs during the implementation phase (to end-2018), which would be separately requested as part of the Directorate complement proposals; and permanent headcount to resource an Information Governance Unit (IGU) to manage the system for the in scope divisions after deployment, at an estimated cost of €1.2m over five years, which would also be separately requested as part of the Directorate complement proposals.

One member noted the significance of the overall spend on this item and requested the Commission be kept updated on the budgetary spend and progress. This was agreed.

**The Commission approved the implementation of the EDRMS project and the external expenditure; and noted the further internal resourcing and cost requirements.**

## **15. Central Credit Register**

Ms Walsh introduced this item, which was to update the Commission on the progress towards implementation of the Central Credit Register (CCR).

Collection of data for consumer loans was scheduled to commence from 30 June 2017 and enquiries by lenders on the CCR were expected to commence after 31 December 2017, subject to data quality being assured. A further phase of lenders would commence submission of consumer loan data on 31 March 2018, along with collection of data for business loans from all lenders. Work on the development and delivery of the functional solution by the Bank's outsourced partner CRIF was progressing well and was on track. The implementation of the communications strategy had commenced and in the first instance would focus on the provision of information to consumers to provide key messages and provide support to further initiatives by lenders.

While the project was on track to be completed on time and on budget, Ms Walsh updated the Commission on a legal issue that had recently been identified and that may affect the scope of the CCR, at least in its early days. This issue was being actively pursued with the assistance



of the Department of Finance. Members also noted the importance of data protection and Ms Walsh set out the various protections that were being put in place in this regard.

**The Commission noted the update on the Central Credit Register.**

#### **16. Governor's Quarterly Report on Expenses**

**The Commission noted the Governor's Quarterly Report on Expenses.**

#### **17. Proposal on Foreign Currency Denominated Portfolio**

*This item had previously been considered by the Risk Committee at its meeting on 21 February 2017.*

**The Commission noted the proposal on a foreign currency denominated portfolio.**

#### **18. Minutes of Sub Committees**

**The Commission noted the minutes of the Risk Committee meeting of 21 February 2017.**

#### **19. Any Other Business**

There was no other business.

**The meeting concluded.**