

**MINUTES¹ OF MEETING NO. 72 OF
THE CENTRAL BANK COMMISSION
OF 15 SEPTEMBER 2016**

In attendance: Governor, Alan Ahearne, Patricia Byron, Blanaid Clarke, Sharon Donnery, John FitzGerald, Derek Moran, Cyril Roux, Michael Soden, Neil Whoriskey (Secretary).

Apologies: Des Geraghty.

Also present²: Eadaoin Rock (General Counsel), Gerry Quinn (Chief Operations Officer – Items 1 – 5, 7) Gerry Cross (Director Policy and Risk – Item 8), Mary Burke (Head of Prudential Policy Division – Item 8), Mary Elizabeth McMunn (Head of Risk Division – Item 8), Martin Moloney (Head of Markets Policy Division - Item 8), Derville Rowland (Director of Enforcement – Item 9 *via teleconference*), Brenda O’Neill (Head of Enforcement Division Item 9), Louise Gallagher (Deputy Head of Enforcement Division – Item 9), Louise Cox (Senior Enforcement Lawyer – Item 9), Mark Forde (Enforcement Lawyer – Item 9), Bernie Mooney (Deputy Head of Consumer Protection Division – Policy and Authorisations – Item 10), Siobhan Conneely (Consumer Protection Division – Policy and Authorisations - Item 10), James Mulcahy (Legal Division – Item 11), Niamh Hallissey (Financial Stability Division – Item 11), Renée Behan (Human Resources Division – Item 12).

1. Procedural Items

The Governor opened the meeting and noted it was quorate. He asked if members had any interests to declare. There were no declarations of interest.

The Commission adopted the agenda, with some re-ordering of items to facilitate those attending. It was noted that the originally scheduled item on Commission Meeting Dates and Forward Agenda for 2017 would be taken at the next meeting.

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 supervisory information, relates to items that remain under deliberation, or where it is in the public interest to do so. There may be occasions where a minute may be omitted, but retrospectively published when the rationale for initial omission no longer applies.

² 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.

2. Minutes of Meeting of 26 July 2016

The minutes of the meeting of 26 July 2016 (Meeting No. 71) were agreed.

3. Matters Arising

This minute is partially omitted as it contains material about a matter that is under deliberation.

The follow-up items from the July 2016 meeting were noted.

4. Governor's Report

The Governor introduced this item. He noted that the ECB had, at its recent meeting, decided not to alter the current policy stance. The Governing Council had tasked relevant committees to evaluate the options to ensure a smooth implementation of the asset purchase programme. A dominant topic at wider international meetings was the potential implications for the European economy of Brexit.

Domestically, the economic data continued to be broadly positive. The Governor noted that he was chairing an expert group, convened by the Central Statistics Office, to develop recommendations on how best to address the statistical needs of national users and provide guidance on the development of relevant indicators. He also noted that he had recently written to the Minister for Finance in advance of the Budget; this letter had been published.

He informed the meeting of some re-structuring of directorates in the Bank. This included establishing the Corporate Affairs Directorate on a permanent basis; the creation of a new Financial Stability Directorate, to include International Relations; and the re-positioning of the Economics Directorate as the Economics and Statistics Directorate, a configuration that was typical of many central banks. Under the financial regulation pillar, it had been decided to replace the current Markets Directorate with two new directorates – the Asset Management Supervision Directorate and the Securities and Markets Directorate.

The Commission noted the Governor's Report.

5. Deputy Governor's Report (Central Banking)

Ms Donnery introduced this item. In relation to Freedom of Information (FOI) she informed the meeting that, following the recent decision not to appeal the decision of the Office of the Information Commissioner, the Bank was updating its internal procedures in relation to Schedule 1-related requests. She also reported that the Bank had received a further request for minutes of Commission meetings; this was currently being processed and members would be provided with the final documentation to be released. She also noted the Department of Finance had, under FOI, recently released records of meetings of the Principals' Group.

Ms Donnery informed members that the ECB had, on 12 September 2016, issued consultation on guidance to SSM banks on how they should tackle non-performing loans (NPLs). It had also published its first stock-take of national practices concerning NPLs. Both items were the output of the ECB's high level working group on NPLS, chaired by Ms Donnery. She recognised the strong support and input of Bank staff in this work, including Bank staff seconded to the ECB.

In relation to forthcoming events, Ms Donnery noted she would be addressing the Dublin Economics Workshop on 24 September 2016 on the subject of the Bank's Macroprudential rules. The Bank was hosting a conference in conjunction with the Global Interdependence Center and the Irish American Business Chamber & Network entitled 'Changes to Come in European and US Finance' on 29 September 2016. The Bank's All-Staff Conference would be held on 16 September 2016. This was an opportunity to update staff on various developments.

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

6. Deputy Governor's Report (Financial Regulation)

This minute is partially omitted as it contains supervisory information.

Mr Roux introduced this item. He noted that, in advance of the scheduled implementation date of 1 January 2017, the deadline for competent authorities to provide their compliance notification to the European Banking Authority (EBA) regarding the EBA Guidelines on sound remuneration policies had passed on 30 August 2016. The Bank had confirmed compliance with the EBA Guidelines.

Mr Roux said that both he and the Director of Consumer Protection, Bernard Sheridan, would be appearing before the Oireachtas Committee on Finance, Public Expenditure and Reform on 6 October 2016; this was an opportunity to set out relevant consumer issues in public. In addition, the Bank was co-chairing a sub-group concerned with data, part of a wider working group into insurance costs, recently established by Minister of State Murphy.

The Commission noted the Deputy Governor's Report (Financial Regulation).

7. Chief Operations Officer's Report

This minute is partially omitted as it contains industrial relations material.

Mr Quinn introduced this item. He updated members on a number of issues. He noted that the headcount at end-August 2016 had increased to 1,580; however, the current number of staff employed was 1,640; this included maternity leave, interns, and supernumeraries. The jobs market remained buoyant and the Bank was likely to fall short of the 1695 complement by year-end.

Under the Organisation Review programme, new divisional structures, roles and the process for transition were being announced to staff this week. Details on a new career framework would be provided at the All-Staff Conference. Implementation was commencing now and would continue to end-year when it was anticipated most of the changes would be in place. The review had identified about 40 roles that were deemed to be at a higher grade level than currently is the case; while another approximate 40 roles were deemed to be now sized at a lower level. Any budgetary implications arising from the Organisation Review would be brought to the Budget and Remuneration Committee and to the Commission in the context of the 2017 budget and manpower planning process.

In relation to the Fusion Programme, the formal process for the sale of the Dame Street premises commenced earlier in September 2016. Bidders would be granted a five-week period to carry out their due diligence, with bids to be received by Lisney by 19 October 2016. The market would expect the Bank to confirm the preferred bidder(s) within a few weeks of this date, and it was intended to ask the Commission, at its October 2016 meeting, to approve the preferred bidder(s) based on the bids received, and to delegate to the Governor the authority to complete all other matters to fully conclude the sale of the properties. In the event that these

matters cannot be presented to the October 2016 Commission meeting, it may be necessary to arrange a Commission meeting or a written procedure in early November 2016 to consider the bids.

Mr Quinn informed the meeting that he was due to appear before the Public Accounts Committee on 21 September 2016 in relation the Comptroller and Auditor General's report on severance payments in the public sector.

The Commission noted the Chief Operations Officer's Report.

8. Policy and Risk

This minute is partially omitted as it contains material about a matter that is under deliberation.

Mr Cross introduced this item. He noted the key responsibilities and objectives of the Policy and Risk Directorate, particularly in the context of the Bank's Strategic Plan. The provision of support and advice to supervisory functions was very central to the role. In the first half of the year, the Directorate had answered more than 700 enquiries from supervisors, and had engaged internally and externally on significant policy issues.

The Directorate had an important role in monitoring and analysing developments at EU and international level. To that end, engagement with the European Supervisory Agencies (ESAs), SSM, and the relevant EU Institutions was focused on banking, insurance and markets regulation, and areas where there was particular Irish interest.

A number of priority issues were set out. These included shadow banking, where the global regulatory debate had moved on to asset management. Reflecting Ireland's significant profile in shadow banking activities, the Directorate had aimed to influence internationally. To that end, the Head of the Markets Policy Division, Martin Moloney, was chair of the International Organisation of Securities Commissions (IOSCO) Policy Committee 5 Working Group, and the European Systemic Risk Board (ESRB) Expert Group on Investment Funds and Shadow Banking Policy Task Force. Other priority issues identified were on fund management company effectiveness, the subject of a recent consultation; risk policy initiatives around cyber security; Solvency II implementation; and participation in the Department of Finance's Insurance Policy Review. The Directorate had also recently spearheaded new initiatives,

including the development of the Bank's Policy Network; and leading the new internal 'One Bank' training curriculum, which was due to roll-out in November 2016.

The same member, in relation to shadow banking, recalled previous Commission discussions on the wider issue of the value add of certain activities. While accepting the role of the regulator was to regulate, there may be wider issues for other policy makers to consider. It would be useful to consider updating some of the research on this that was undertaken some years ago and published in the Quarterly Bulletin. Another member welcomed the work being undertaken on fund management, and the recent consultation, and queried what the ultimate stance was in relation to the question of directorships and residency of directors. The same member also asked about the changing dynamics of interaction with Europe in a post-Brexit environment.

In relation to directorships, Mr Moloney said there had been good engagement on the consultation process and a proportionate approach was being taken. While the general guidelines were around a 'risk indicator' measure of 20 directorships with an aggregate time commitment of in excess of 2,000 hours, there were some cases where the Bank was engaging one-to-one with relevant individuals. The residency element would need to be further considered in the post-Brexit environment. In terms of engagement with Europe post-Brexit, Ms Burke noted that engagement at a European level was something that had evolved in any event in recent years, shaped mainly by the post-financial crisis environment. Brexit was another element of this changing dynamic.

The Commission noted the Policy and Risk Update.

9. Enforcement INBS Case

This minute is omitted as it contains supervisory information.

The Commission noted the update on the Enforcement INBS Case.

10. Code of Conduct on Switching of Current Accounts - Revisions

Ms Mooney introduced this item. Arising from the expected transposition of the EU Payment Accounts Directive on 18 September 2016, a number of technical consequential amendments were required to the Code of Conduct on the Switching of Current Accounts with Credit Institutions (the Switching Code). The Consumer Protection Directorate, together with the Legal Division, had drafted a revised Switching Code which would comply with the requirements of the Payment Accounts Directive. Since circulating the paper (Paper No. 203 of 2016) to the Commission, two further amendments were brought to the attention of the Commission members. These related to clarity in wording around a “potential consumer”; and to the definition of “payment services provider”.

Subject to the approval of these amendments by the Commission, and final consultation with the Minister for Finance, a revised Switching Code will be published in the coming weeks.

The Commission:

- **approved the proposed revised Switching Code, with the referenced amendments, to be issued under Section 117 of the Central Bank Act 1989; and,**
- **delegated to the Deputy Governor (Financial Regulation) the authority to approve any final changes to the revised Switching Code and issue those for, and on behalf of, the Bank.**

11. Delegation of Powers – Macroprudential Tools

The Commission approved the delegations as set out in Paper No. 204 of 2016.

12. Proposal to appoint an actuarial and pensions consultant for the Superannuation Fund

The Commission approved the appointment of LCP Ireland as Actuarial and Pensions Consultant for the Scheme.

13. Commission Written Procedure

Subject to some minor changes, the Commission approved the revised process for Commission Written Procedures.

14. Review of Investment Performance – January to June 2016

This paper (Paper No. 208 of 2016) had also been provided to the members of the Risk Committee.

The Commission noted the Review of Investment Performance – January to June 2016.

15. Minutes of Meetings of Sub Committees

The Commission noted the minutes of the meeting of the Risk Committee of 26 May 2016.

16. Any Other Business

Information and Consultation Forum

Mr Whoriskey informed the Commission that a request had arisen from a meeting of the Bank's Information and Consultation Forum (ICF) – a staff engagement forum – for access to Commission minutes and papers relating to the ongoing considerations around the Print Strategy. Mr Whoriskey proposed that he respond to the ICF informing them that minutes of Commission meetings remained confidential until such time as they were published; and that the minutes (and papers) concerning the Print Strategy related to matters that remained under deliberation and therefore remained confidential to the Commission and, to date, had not been published.

The Commission agreed to the proposed response to the Information and Consultation Forum.

The meeting concluded.