

**MINUTES¹ OF MEETING NO. 73 OF
THE CENTRAL BANK COMMISSION
OF 26 OCTOBER 2016**

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

Apologies: Cyril Roux.

Also present²: Eadaoin Rock (General Counsel), Gerry Quinn (Chief Operations Officer – Items 4 – 5, 7 - 20), Paul Molumby (Director Currency and Facilities Management – Items 8 - 9), Lucy O'Donoghue (Head of Currency Issue Division – Item 8), David Doran (Deputy Head of Organisational Risk Division – Item 12), Con Christofides (Organisational Risk Division – Item 12), Tom Meade (Deputy Head of Organisational Risk Division – Item 13).

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.

2. Minutes of Meeting of 15 September 2016

The minutes of the meeting of 15 September 2016 (Meeting No. 72) were agreed.

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.

3. Matters Arising

This minute is partially omitted as it contains supervisory information.

The other follow-up items were noted.

4. Governor's Report

The Governor introduced this item. He thanked members for their participation in the recent Commission seminars that focused on the review of the Strategic Plan, Governance of the Commission, and Macprudential Measures. He informed members that the Bank was proceeding with plans to petition the High Court for the appointment of a liquidator to Rush Credit Union. He noted the significant work by the Resolution team and other areas of the Bank in this. He informed members that, while Brexit had featured in many Commission discussions over the past months, it would be a standing item on the Commission agenda from the November 2016 meeting onwards.

On the external agenda, he noted that at the recent ECB monetary policy-setting meeting, the view was that there was a continuing moderate but steady recovery of the euro area economy. The Governing Council's assessment in December 2016 would benefit from new data that would be available then. He also informed members of the key issues that were discussed at the recent IMF annual meetings.

He noted he was currently chairing two external groups – the CSO Working Group on Macroeconomic Data; and the European Systemic Risk Board (ESRB) High Level Task Force on Safe Assets.

The Commission noted the Governor's Report.

5. Deputy Governor's Report (Central Banking)

This minute is partially omitted as it contains supervisory information.

Ms Donnery introduced this item. She informed members that, as part of the ECB's public consultation on its guidance to banks on non-performing loans (NPLs), she would be participating in a public hearing in the ECB on 7 November 2016, in her capacity as Chair of the ECB's High Level Group on Non-Performing Loans.

She noted that her report contained a section on Brexit, which was a summary of the first quarterly report of the Bank's Brexit Task Force that was submitted to the Financial Stability Committee.

In relation to FOI, she noted an appeal that was currently with the Office of the Information Commissioner.

She noted that an appeal, which was to have been heard in the Labour Court on 18 October 2016, following rejection in March 2016 by a Rights Commissioner of an unfair dismissal claim by a former fixed-term contract employee, had been withdrawn. A separate claim to the Equality Tribunal was similarly withdrawn.

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

6. Deputy Governor's Report (Financial Regulation)

This minute is omitted as it contains supervisory information.

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

7. Chief Operations Officer's Report

Mr Quinn introduced this item.

He updated members on a number of issues. He noted that the headcount at end-September 2016 stood at 1,573; while this represented a net increase for the year of 58 full time equivalents (FTEs), it represented a fall of seven since August 2016. It was unlikely that the approved

complement of 1,695 would be met by year-end. He noted that he had appeared before the Public Accounts Committee on 21 September 2016 in relation to the Comptroller and Auditor General's (C&AG) report on severance payments in the public sector. The Chair of the Committee had requested further information on retention payment; the Bank was also engaging with the C&AG on this subject and on the SSM-related allowances, as part of the 2016 audit. Under the Organisation Review, work had now shifted to the implementation phase.

The Bank's Data Management Programme had been approved to initiate stage by the Data Governance Group. On the IT security front, Mr Quinn said that he would shortly update the Commission on plans to bring greater visibility to the Commission and Risk Committee on this.

While there had been some delays experienced with the final façade works, the commencement of a limited move of some staff to the new building in North Wall Quay remained on track for year-end. The Commission would be invited to visit the building in the coming weeks.

The Commission noted the Chief Operations Officer's Report.

8. Currency Operations

This minute is partially omitted as it contains security related information.

Mr Molumby introduced this item. He noted that this presentation would focus mainly on the Currency Issue function.

A key success factor was an acute focus on the identification of risks, risk assessment and continuous review of the adequacy and effectiveness of controls. Business continuity preparation exercises, incident reporting and follow up were well embedded as standard processes that received ongoing attention.

In addition to its core role of maintaining the quality, supply and integrity of the currency, the Currency Issue Division (CID) also had a mandate in the oversight of the National Cash Cycle and continued to develop this role. Although there was still significant growth demand for cash in Ireland, the rate of growth had been declining.

A member noted the relatively high level of destroyed banknotes in Ireland compared to the euro area average and asked if the new series of banknotes were any more resilient than previous versions. Ms O'Donoghue said that Ireland traditionally had a much higher level of throughput of banknotes; the Bank would be supporting studies across the Eurosystem on these matters.

One member suggested that it might be beneficial from a general staff development perspective for some staff members in the Currency Centre to participate in wider Bank projects; this would assist in integration of staff across the Bank. Mr Molumby and Ms O'Donoghue welcomed the suggestion.

The Commission noted the Currency Operations Update.

9. Sale of Dame Street Premises – Preferred Bidders

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

Mr Molumby introduced the item. The sale of the Bank's city centre premises was formally launched on 7 September 2016. Bidders were granted a five-week period to carry out their due diligence, with bids to be received by 19 October 2016. The Bank's property advisors, Lisney, arranged for a number of viewings of the properties from prospective bidders. The Bank's legal advisors, McCann FitzGerald, also received and responded to a number of legal due diligence queries.

The Governor may revert to the Commission with an update if any significant developments arose during the process.

It was noted that the power under Section 6(B)(3) of the Central Bank Act, 1942 to sell land which the Commission considered was no longer required for the purpose of enabling the Bank to perform its functions had been delegated to the Governor. In addition, the powers under Section 5(B)(a) to dispose of real property and Section 5B(c) to enter into contracts and agreements had also been delegated to the Governor.

The Commission:

- **noted the update on the sale of the Dame Street premises as provided in Paper No. 224 of 2016;**
- **approved, in compliance with the Bank's Disposals/Write-offs of Fixed Assets policy, that the contents of the Iveagh Court, which are to be independently valued, may be sold to the landlord as part of the surrender of the Bank's lease thereof.**

10. Commission Forward Agenda and Meeting Dates 2017

The Commission approved the forward agenda and meeting dates for 2017.

11. Classification and Circulation Policy for Commission Papers

A review of the classification scheme for Commission papers, in the context of the Bank's new Information Classification Policy, and a proposed defined process for the internal circulation of some Commission papers to non-Commission members was presented.

The Commission approved the classification and circulation policy for Commission papers.

12. Annual Review of Investment Prudential Limits

This minute is partially omitted as it contains market sensitive information.

Mr Christofides introduced the annual review of the prudential limits framework, which was used in conjunction with the risk budgeting approach, to define the credit risk appetite for the Bank's investment activities. The prudential limits framework ensured that credit risk was diversified over a large number of entities and established the minimum standard of creditworthiness the Bank would accept, based predominantly on credit ratings.

The Commission approved the proposals set out in the Annual Review of Investment Prudential Limits as contained in Paper No. 228 of 2016.

13. Annual Report on Protected Disclosures

Mr Meade introduced this item. The Central Bank (Supervision and Enforcement) Act 2013 introduced provisions in relation to the making of reports to the Bank regarding alleged breaches of financial services legislation referred to as ‘protected disclosures’. The Act required that, on an annual basis, the Governor provided a report to the Commission in respect of protected disclosures received by the Bank.

The accompanying paper (Paper No. 229 of 2016) provided an overview of the 43 reports received during the period September 2015 to August 2016, together with a summary of the various supervisory actions taken in respect of the reports. In addition, the paper highlighted recent updates to the operation of the Bank’s Protected Disclosures Framework.

The Commission noted the Annual Report on Protected Disclosures.

14. Provisional Statement of Accounts to 30 September 2016

The Commission noted the Provisional Statement of Accounts to 30 September 2016.

15. Audit of Authorisation and Revocation Framework

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

The Chair of the Audit Committee, Ms Byron, introduced this item. Internal Audit Division had undertaken an audit of the revised Authorisation and Revocation Framework. Authorisations and revocations were completed across eight divisions within the Bank. The main objective of the audit was to provide assurance that there was a consistent and comprehensive approach across the Bank in relation to the recommendation and approval of authorisations and revocations.

The Commission noted the Audit of Authorisation and Revocation Framework, and the update of the Audit Committee meeting of 25 October 2016.

16. Central Bank of Ireland Superannuation Fund Investment Performance Report

The Commission noted the Central Bank of Ireland Superannuation Fund Investment Performance Report to 30 September 2016.

17. Financial Risk Information Pack

The Commission noted the Financial Risk Information Pack.

18. Governor's Quarterly Report on Expenses

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

19. Minutes of Meetings of Sub Committees

The Commission noted the minutes of the meeting of the Audit Committee of 25 July 2016.

20. Any Other Business

The Governor noted that Paschal Finn, Deputy Head of Legal Division, would attend Commission meetings from next month in place of Ms Rock, who was taking maternity leave. The Commission wished her well.

There was no further business

The meeting concluded.