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Press Releases

January – June 2014

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Money and Banking Statistics: November 2013

3 January 2014

Loans and other credit[1]

- Household loan repayments exceeded drawdowns by €403 million during November 2013, following a net monthly decrease of €472 million in October. Developments in November reflect the decline across all three categories of household loans, loans for house purchase fell by €268 million, while loans for consumption and other purposes fell by €123 million and €12 million, respectively.
- On an annual basis, lending to Irish households continued to fall. November 2013 registered an annual decline of 4.3 per cent, representing a slightly larger decline than in October. Loans for house purchase continued to be the main category driving the change, declining at an annual rate of 2.8 per cent. Lending for consumption and other purposes which accounts for approximately 23 per cent of total household lending, declined by 9 per cent over the period.
- The net flow of loans to households for the three months to end-November 2013 averaged minus €279 million, this compares to minus €282 million for the three months ending October 2013. This comprised minus €195 million in loans for house purchase, minus €81 million in loans for consumption purposes, and minus €4 million in lending for other purposes in the three months to end-November.
- On a monthly basis, NFC loan repayments continued to exceed drawdowns. Loans to NFCs declined by €238 million (0.3 per cent) in November 2013. This decline was mainly driven by long-term loans over 5 years which fell by €323 million (1 per cent) and medium-term loans between 1 and 5 years which fell by €266 million (1.3 per cent). Conversely, the net flow of short-term NFC loans with an original maturity up to one year increased by €351 million (1.3 per cent) over the month.
- Lending to Irish resident non-financial corporations (NFCs) reported a year-on-year decline of 4.9 per cent in November 2013, following a decrease of 4.7 per cent in October. All maturity categories recorded declines over the year. The decline was most pronounced for medium-term loans which fell by 14.4 per cent. Smaller declines of 2.5 per cent and 0.1 per cent were recorded respectively for long-term and short-term loans.
- The monthly net flow of loans to NFCs averaged minus €278 million in the three months ending November 2013, compared to a twelve-month average of minus €349 million for the period to end-November 2013.
- Credit institutions' holdings of debt and equity securities issued by the Irish private sector increased by €453 million during November 2013; this marks the first increase in this category in over a year and brings

the annual rate of decline to 19.7 per cent compared to a decline of 20.5 per cent for end-October. The increase in holdings of private-sector securities during November 2013 was entirely driven by developments in the holdings of debt securities issued by other financial intermediaries (OFIs), which increased by €453 million over the month, bringing the annual rate of decline in these holdings to 19.9 per cent.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Deposits and Other Funding

Deposits from the Irish resident private sector increased at an annual rate of 8.5 per cent in November 2013, following a rise of 7.6 per cent in October. Annual private-sector deposit developments were primarily driven by OFIs whose deposit holdings with Irish credit institutions increased by 39.4 per cent. NFC deposits also increased over the year to end-November by 9.1 per cent. Meanwhile deposits from insurance corporations and pension funds (ICPFs) and households declined by 7 per cent and 0.8 per cent, respectively over the year.

The annual developments in OFI deposits, however, were driven by base effects due to transactions in March 2013 related to the liquidation of the Irish Bank Resolution Corporation (IBRC). IBRC's liability to the Central Bank of Ireland was replaced by a liability to the National Asset Management Agency (NAMA), classified as an overnight deposit. This position will be unwound as the assets which currently remain on the IBRC balance sheet are transferred. Excluding the impact of this transaction, total OFI deposits at end-November would have decreased by 0.2 per cent on an annual basis, and total private-sector deposits would have increased by 0.7 per cent over the year.

There was a decrease of €322 million in Irish resident private-sector deposits during November 2013. This was owing to a fall in deposits from households and ICPFs of €582 million and €115 million, respectively. Meanwhile, OFI and NFC deposits showed increases of €310 million and €65 million over the month.

Looking at the maturity breakdown, overnight deposits, which include current accounts, decreased by €629 million in November 2013. This was mainly driven by decreases in the NFC, OFI and household sectors of €224 million, €202 million and €268 million, respectively. Meanwhile, overnight deposits from the ICPF sector increased by €65 million over the month.

Medium-term deposits with agreed maturity up to two years, continued to decline. There was a €238 million fall during November, which reflects decline across three of the four private sector categories. Deposits from OFIs, households and ICPFs showed a fall of €220 million, €212 million and €120 million, respectively. Meanwhile, deposits from the NFC sector registered an increase of €314 million over the month.

Deposits with agreed maturity over two years increased by €706 million during November. This was owing to increases in the OFI and household sectors of €752 million and €32 million, respectively. Longer-term deposits from ICPFs and NFCs decreased by €57 million and €21 million, respectively in the month.

Looking to annual developments in Irish private sector deposits, medium-term deposits continue to decline, in contrast with the overnight category. In November 2013, deposits with agreed maturity up to two years and over two years registered respective annual declines of 7.7 per cent and 0.5 per cent, while overnight deposits increased by 25.4 per cent over the same period. This decline in longer-term savings probably reflects the low interest rates currently on offer.

Developments in non-resident private-sector deposits continued to reflect on-going fragility in investor confidence. Non-resident deposits decreased by €1.3 billion during November 2013, following a €333 million decrease in October. November's decrease reflects decline in deposits from both the non-euro area and the other euro area of €662 million and €606 million, respectively. Deposits from non-euro area residents in the more internationally focussed IFSC banks registered the sharpest decline (€693 million) over the month. In annual terms, private-sector deposits from non-euro area and other euro area residents decreased by 1 per cent and 11.6 per cent, respectively. Credit institutions' borrowings from the Central Bank as part of Eurosystem monetary policy operations fell by €860 million in November 2013. The outstanding stock of these borrowings amounted to €39.7 billion at end-November. The domestic market group of credit institutions[2] accounted for €32.5 billion of this total outstanding stock and current levels represent the lowest level of reliance on central bank funding since August 2008.

[1] Money and Banking statistics are compiled in respect of business written out of all within-the-State offices of both credit institutions authorised to carry on banking business in the State under Irish legislation and credit institutions authorised in other Member States of the EU operating in Ireland on a branch basis. Credit institutions authorised in other EU Member States operating in Ireland on a cross-border basis, i.e. with no physical presence in the State, are not included in the statistics. A full list of Credit Institutions resident in the Republic of Ireland is available on the Central Bank of Ireland website. Recent data are often provisional and may be subject to revision. The extensive set of Money and Banking Statistics tables are also available on the Central Bank website, along with the detailed Money and Banking Explanatory Notes.

[2] The domestic market group of credit institutions are those who have a significant level of retail business with Irish households and NFCs, and would exclude the more internationally focused banks in the IFSC. A full list of these institutions is available in the Credit, Money and Banking section of the Statistics portal of the Central Bank of Ireland website.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Central Bank Announces New Faster Authorisation Process for Investment Firms

7 January 2014

Following a review of its authorisation process for the authorisation of Investment Firms under the Markets in Financial Instruments Directive ('MiFID') legislation, the Central Bank of Ireland recently issued details of a more transparent efficient process which will go live on 8 January 2014. This followed an industry consultations process during October and November 2013 which included workshops and presentations involving legal firms and industry representative bodies.

Depending on the Central Bank's determination of the complexity of their business models, applicant investment firms will be streamed along two tracks with the aim that simpler applications will be processed within three months and more complex applications will be processed within six months. Within both streams, there are various checkpoints and timing deadlines for the exchange of correspondence.

The Central Bank intends to carry out a review of this new process before the end of 2014.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Central Bank of Ireland Issues Warning on Unauthorised Persons

8 January 2014

The Central Bank of Ireland (‘Central Bank’) today (8 January 2014) published the names of two unauthorised persons, Mr. Michael Gilmore (Date of Birth 13/05/1954) a former director of Aligned Brokers Countrywide Limited and Mr. Mark Nolan (Date of Birth 02/06/1969) a former director of Tony Bourke Insurances Limited. Neither Mr. Michael Gilmore nor Mr. Mark Nolan are authorised by the Central Bank as an insurance intermediary.

It is a criminal offence for an unauthorised person to provide financial services in Ireland that would require an authorisation under the relevant legislation which the Central Bank is the responsible body for enforcing. Consumers should be aware that, if they deal with a firm or person who is not authorised, they are not eligible for compensation from any statutory Compensation Schemes.

Any person wishing to contact the Central Bank of Ireland with information regarding such firms or persons may telephone (01) 224 4000. This line is also available to the public to check if a firm or person is authorised. Since obtaining the necessary legal powers in August 1998, the names of 217 unauthorised firms or persons have been published by the Central Bank.

Notes to editors:

The names of the above persons are published under the Central Bank (Supervision and Enforcement) Act 2013. Please note that this is the first time the Central Bank has published a warning notice regarding individual persons since the commencement of the Central Bank (Supervision and Enforcement) Act 2013 on 1 August 2013, which expanded the Central Banks powers to publish warning notices.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Statement by Central Bank on Single Euro Payments Area (SEPA)

10 January 2014

The Central Bank has noted the proposal by the European Commission to maintain the 1 February 2014 deadline for transition to SEPA standards, but at the same time introducing a six-month transitional period during which payments may still be accepted in legacy format.

The Central Bank has worked closely with the Irish Payments Services Organisation (IPSO) and other stakeholders throughout the migration process. SEPA migration in the Irish market is well advanced with industry estimates indicating that over 95 per cent of payments and companies will be SEPA compliant by the 1 February 2014 end date. The Central Bank welcomes the statement today by IPSO that its member banks will continue to aim for completion of the changeover by 1 February 2014. This is fully consistent with the views of both the Central Bank of Ireland and the European Central Bank that all market participants complete transition by that date.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Statistics on Securities Issues of Irish Resident Entities: November 2013

13 January 2014

The Central Bank of Ireland, today, released its statistics on market-based financing activities of financial and non-financial firms incorporated in Ireland at end-November 2013. The dataset contains information on the volume of bonds and notes issued during November, as well as the market valuation of outstanding equity shares by sector of issuer at end-November. The sectors of the issuers are: banks; Government; other financial intermediaries; non-financial corporates; and insurance companies and pension funds.

Summary:

- The outstanding amount of debt securities issued by Irish financial and non-financial firms, and by the Government sector was €882.1 billion at end-November 2013, a decrease of 4 per cent year-on-year. The outstanding amount of debt securities issued by euro area residents decreased by almost 1 per cent.
- The outstanding amount of long-term Government debt securities remained broadly unchanged at just over €115 billion, an increase of 30 per cent year-on-year.
- Market-based debt financing for the banking sector stood at €71.7 billion in November 2013, a decrease of 15 per cent year-on-year.
- Equity shares had an outstanding value of almost €266.2 billion at end-November. This includes quoted shares (€265.9 billion) which saw a year-on-year net increase of 35 per cent. The value of the stock of quoted shares issued by euro area residents increased by approximately 25 per cent.

Government Debt Issuance

Long-term Government debt securities stood at approximately €115.2 billion in November 2013[1], which represents a year-on-year increase of 30 per cent when compared with November 2012 (€88.4 billion).

Approximately €20.7 billion (or 18 per cent) of the euro-denominated long-term debt will fall due over the next 3 years (see Table 1). Around €11.7 billion (or 56 per cent) of this latter figure is payable to non-resident investors.

Holdings of Government Bonds

At end-November 2013, Irish resident investors held 46 per cent of long-term Irish Government bonds compared with 28 per cent in November 2012.

The Irish banking sector, including the Central Bank of Ireland, was primarily responsible for this increase. This sector accounted for 44 per cent of all holdings at end-November 2013 (or €50.4 billion), compared with 25 per cent at end-November 2012. This primarily reflects the re-structuring of the Promissory Notes earlier this year.

Approximately 28 per cent of all resident holdings will mature within the next 5 years. Furthermore, 33 per cent (or €20.5 billion) of those long-term bonds held by non-resident investors will mature between 2020 and 2023.

Banking Sector

Market-based debt financing for the banking sector increased by almost €4.6 billion in November 2013, compared to net issuance of €280 million in the preceding month. This increase reflected net issuance of long-term debt securities.

Approximately €20.5 billion (or 29 per cent) of the total debt securities issued by the banking sector will fall due within the next 12 months.

The outstanding amount of debt securities for this sector saw a year-on-year fall of 15 per cent to €71.7 billion with short-term debt contracting by 26 per cent (Chart 1 & 2). Over the past 12 months, the total outstanding amount of debt securities for this sector across the euro area decreased by approximately 9 per cent.

The outstanding amount of the banking sector's equity securities has increased by approximately 2 per cent (to €20.5 billion) since October 2013. This represents a year-on-year increase of approximately 31 per cent[2] (Chart 3), primarily as a result of valuation changes.

Non-Financial Corporations

The outstanding amount of debt securities issued by non-financial corporations (NFC) decreased to just over €6.9 billion in the month to end-November 2013[3].

The year-on-year increase in the outstanding debt securities for NFCs resident in the euro area was approximately 9 per cent.

Approximately €272 million (or 4 per cent) of the total debt securities issued by NFCs will fall due within the next 12 months.

In November 2013, the value of the quoted shares outstanding for the NFC sector increased by 10 per cent (to approximately €228.8 billion). This represented a year-on-year increase of 36 per cent. The annual percentage change in market capitalisation for NFCs in the euro area was approximately 22 per cent.

Detailed tables can be found on the Central Bank of Ireland's website here. The data are largely compiled from an ESCB securities reference database, the Centralised Securities Database.

Notes:

The statistics are based on Irish resident sectors issuances of securities where an ISIN[4] code is assigned, irrespective of the market of issue or listing. Non-ISIN information is also provided for monetary financial institutions.

- Debt securities are broken down according to their original maturity and coupon type. Equity securities are classified into quoted and unquoted securities excluding investment fund shares/units.
- The difference between month-on-month equity stocks reflects valuation changes transactions in addition to transactions and other adjustments, for example, reclassifications and corrections.
- The data reflect revisions arising from data quality management activities performed by the Bank, which contribute to improvements in the data.
- Euro area figures are sourced from the ECB's Euro Area Securities Issues Statistics monthly publication.

[1] Refers to debt securities in all currencies (but principally includes euro-denominated debt)

[2] As per compilation methodology utilised by the Central Bank of Ireland

[3] The amounts outstanding increased sharply as a result of two corporate events over the past 12 months. Revisions to the relevant time series will be made in due course and will reflect historic developments.

[4] An ISIN code is a unique identifier assigned to an individual security.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

New €10 Banknote Unveiled in Frankfurt Today

13 January 2014

- The new €10 banknote of the Europa series will start circulating on 23 September 2014, thus giving enough time for all parties to prepare for a smooth introduction.
- The new €10 will be easily recognisable as its design is similar to the €10 of the first series. The design incorporates advances in banknote technology, making the note even more resistant to counterfeiting. It will also be more durable.
- The banknotes of the Europa series are being introduced gradually over several years.
- Euro banknotes are a tangible symbol of the European Union. 334 million people in 18 countries now use the euro.

The ECB's Executive Board member Yves Mersch unveiled the new €10 banknote today and announced it will enter into circulation on 23 September 2014. Mr Mersch said: "12 years after the euro banknotes and coins were introduced, it's easy for us to take them for granted and to forget what an ambitious, even bold, project it was to introduce the euro. The single currency has helped to bring millions of Europeans together, in all our diversity, and the banknotes and coins are a tangible symbol of our determination to support the European Union. When we say, "The Euro. Our Money", we really mean it!". While the new €10 resembles the one first issued in 2002, it has been given a fresh look and has several new and enhanced security features. For example, like the new €5, it includes a portrait of Europa – a figure from Greek mythology and the origin of our continent's name – in the hologram and the watermark.

During the unveiling event, Mr Mersch also commented: "Today is also a chance to highlight the importance of maintaining people's trust in the euro. One of the main reasons for introducing a new series of notes is to ensure that everyone who uses them can continue to do so with complete confidence".

Like the first series of euro banknotes, the new €10 banknote will be very easy to check manually and visually, using the "feel, look and tilt" method. In addition to the portrait of Europa in the hologram and the watermark, the notes include an emerald number, which changes colour from emerald green to deep blue when tilted. The €5 and €10 banknotes of the Europa series are more durable as they have a protective coating. This means that the banknotes will need to be replaced less frequently, thus lowering costs and reducing the impact on the environment. Over time, the Eurosystem will gradually upgrade all the euro banknotes in ascending order.

The Eurosystem is taking steps to support the adaptation of cash-handling machines and authentication devices by the September launch date. Owners of such equipment are advised to contact their suppliers or manufacturers as soon as possible in order to get ready for the new €10 note.

For media enquiries, please call Elodie Lafitte Nowodazkij on +49 69 1344 7390

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Central Bank of Ireland Issues Warning on Unauthorised Investment Firm

24 January 2014

It has recently come to the Central Bank of Ireland's ('Central Bank') attention that a firm, calling itself BNY Mellon Wealth Management (purporting to be based in the U.S.A.) has been operating as an investment firm in the State in the absence of an appropriate authorisation. This unauthorised firm has cloned the name of a legitimate BNY Mellon business, BNY Mellon Wealth Management, that is based in in the U.S.A.

It should be noted that there is no connection whatsoever between the legitimate BNY Mellon Wealth Management entity in the U.S.A. (or any other BNY Mellon entity) and the unauthorised BNY Mellon Wealth Management entity that is operating in the State.

It is a criminal offence for an unauthorised firm to provide financial services in Ireland that would require an authorisation under the relevant legislation for which the Central Bank is the responsible body for enforcing. Consumers should be aware that, if they deal with a firm which is not authorised, they are not eligible for compensation from the Investor Compensation Scheme.

Certain unauthorised firms "cold call" or email consumers and offer such consumers financial services (e.g. the opportunity to purchase shares in another company). These firms will often have cloned the details of a legitimately authorised firm and will quote a "registration/authorisation" number, which is in fact, the registration/authorisation number of a legitimately authorised entity. Consumers who have been cold called/emailed and offered financial services should make additional checks to ensure that the firm they are dealing with is the legitimately authorised firm. Consumers should contact the regulatory authority that the firm has advised it is authorised by and check that the contact details for the firm, that are held by the regulatory authority, match those provided by the firm who has cold called/emailed them.

Notes to editors:

The name of the above unauthorised firm is published under the Central Bank (Supervision and Enforcement) Act 2013.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Central Bank Publishes Research on Trends in Business Investment and Some Implications of New Regulatory Measures for Euro Area Money Markets

29 January 2014

The Central Bank of Ireland today (29 January 2014) publishes the signed articles from the Bank's first Quarterly Bulletin for 2014 on trends in business investment and on some implications of new regulatory measures for euro area money markets.

Trends in business investment in Ireland over the last three decades and estimates an econometric model to explain long- and short-run trends. The key findings of the research are as follows:

- Business investment in Ireland exhibits large cyclical movements around a long-run trend relative to GDP.
- Changes in business investment broadly coincide with the overall business cycle, although swings in investment tend to be far greater, with extended periods of both over- and under-investment relative to GDP.
- Since its peak in 2007, annual business investment expenditure has fallen by €6 billion - a 40 per cent decline. As a share of GDP, business investment has fallen from 8 per cent between 2000 and 2008 to 5 per cent between 2009 and 2012. This fall is explained by both the rapid slowdown and subsequent fall in GDP growth and the previous cycle of over-investment which resulted in an elevated business investment to GDP ratio relative to the long-run trend.
- The results from the econometric model indicate that, in addition to GDP, other factors such as the cost of capital, the availability of credit and changes in capital gains (asset prices) may also play a role.
- Almost 60 per cent of the fall in business investment since 2007 is due to a reduction in firms' spending on machinery and equipment; the remainder is attributable to reduced spending on buildings and other infrastructure.
- A restocking of business capital could represent a source of growth for the Irish economy in the years ahead.

Some Implications of New Regulatory Measures for Euro Area Money Markets discusses the implications of enhanced regulatory standards, including Basel III Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR) and Leverage Ratio (LR). These new measures are intended to ensure that banks and banking systems are significantly more resilient in the future than was the case in the run-up to the financial crisis.

Concerns that the extent and range of the new regulatory measures may lead to unintended shifts in market behaviour explain, in part, why the recent amendments to the Basel III ratios were considered necessary. Amongst the potential implications discussed in the paper are:

- The LCR and the NSFR may reduce activity in the short-term unsecured money markets and are likely to increase demand for high quality liquid assets and for longer-term funding and funding through repos.
- The measures are likely to reduce demand for lower quality assets and may increase demand, in certain circumstances, for central bank funding.
- On the other hand, the LR appeared to offer a disincentive to the use of repos. However, this may be mitigated somewhat by the recent amendments.
- Other regulatory measures, such as the European Market Infrastructure Regulation, require increased central clearing and may further increase demand for high quality assets, for collateral and margining purposes.

The paper concludes that, while the latest Basel III amendments will mitigate some of the previous concerns, the proposed measures may still have unintended consequences for money markets.

Further information: Press Office: (01) 224 6299; press@centralbank.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Central Bank of Ireland Issues Coin Celebrating John McCormack

29 January 2014

The Central Bank of Ireland will launch today (29 January 2014) a €10 limited edition Silver Proof collector coin to celebrate Irish Tenor John McCormack.

The coin is issued as part of the 2014 Europa Coin Programme celebrating 'European Musicians'. It features John McCormack in his typical impassioned singing style while theatre curtains and an old record player reference the singer's popularity in both concert and recording performance. As with all collector and circulating coins, the obverse of the coin features the harp.

Central Bank Director of Currency and Facilities Management, Paul Molumby said: "The design, through its imagery and typography, has a nostalgic feel that pays tribute to his long musical career, a career that saw enormous changes in the way that singers entertained the public. He sold millions of records and became Ireland's most celebrated and best-selling vocal artist."

The coin was designed by Michael Guilfoyle and has an issue limit of 8,000 units.

The coin will be available to the public from tomorrow (30 January 2014). Coins can be purchased by downloading an order form from www.centralbank.ie, by phoning 1890 307 607 or directly from the Central Bank on Dame Street in Dublin at a cost of €44.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Central Bank of Ireland Quarterly Bulletin 1 2014

29 January 2014

The Central Bank of Ireland today published Quarterly Bulletin 1 2014.

Comment

Ireland has emerged from the EU/IMF Programme against a background of increased market confidence in the outlook for the country's economic performance and policy prospects. This has been reflected in an improvement in the market's assessment of Ireland's creditworthiness, helping the Sovereign and domestic banks to regain access to market funding at, increasingly, more favourable rates. The key to the return of market confidence, to the extent that now exists, has been the combination of strong policy implementation over the period of the Programme and growing signs of gradually improving economic conditions. Particularly important has been adherence to the fiscal targets, which has brought about a reduction in the General Government Deficit, leaving it on track to fall below 3 per cent of GDP by 2015. With the ending of the EU/IMF Programme, continuing to build on the achievements of recent years will be crucial to ensuring continued access to market financing at relatively favourable rates into the future.

More significantly, further progress in terms of policy implementation across a range of areas is required before Ireland can be considered to have recovered from the crisis. The main challenges remain the need for further fiscal consolidation, restoring banking soundness and sustaining the rebound in employment growth through improvements in competitiveness. While much has been achieved, creating the conditions for a sustainable economic recovery will require further reductions in the level of debt in the economy, both public and private, returning the banking system to a position where it can support the economy with adequate lending, and getting the rate of employment well up from the low level to which it had fallen in the crisis. To ensure that these challenges are overcome, continued adherence to the policies that were in place during the Programme remains essential.

With respect to the public finances, the latest estimates suggest that the General Government Deficit for 2013 should come in below the 7.5 per cent of GDP target under the Excessive Deficit Procedure. Projections indicate that the debt-to-GDP ratio has peaked and at a slightly lower level than previously expected. While these are welcome developments, deficit and debt levels remain very high and further consolidation is needed in coming years to put debt firmly on a downward path and secure sustainability. Through reducing uncertainty, this should contribute to a faster and more lasting recovery and also reinforce the confidence of international lenders and further improve access to market funding.

In the banking sector, while liquidity and funding conditions have improved, the key issues revolve around the need for further progress in dealing with the resolution of impaired loans in order to put the system back on a sustained sound footing to be in a position to support recovery. In accordance with the mortgage arrears resolution strategy and targets, the Central Bank has continued to require the banks to accelerate their work to ensure the conclusion of sustainable long-term arrangements. While progress has been slow, momentum is building and the Bank continues to work to ensure that banks and mortgage borrowers in arrears move to conclude durable solutions. The Bank is also monitoring ongoing steps to cure and resolve legacy debt problems of small firms.

The importance of maintaining progress in the restoration of competitiveness must not be neglected. While moderate wage growth and reductions to the cost base of the economy have helped restore some of the competitiveness lost during the boom, further improvements in productivity and competitiveness would help to boost Ireland's growth potential and support further employment growth.

Continuing to make progress on fiscal and banking issues and enhancing productivity and the competitiveness of the economy is the best way to ensure that the emerging improvement in economic conditions can be sustained. While GDP growth in the first half of 2013 was held back by the negative impact on exports of the expiry of some pharmaceutical patents and weakness in trading partner countries, a range of indicators signal that economic activity picked up in the second half of 2013.

Encouragingly, the most recent data indicate that employment has grown strongly over the past year. Initially, the recovery in employment was confined to part-time jobs, however, recent quarters have seen steady growth in full-time employment, which appears to be broadly based. Looking ahead, this is likely to support household incomes and consumer confidence and, on this basis, modest positive growth in consumer spending is projected for 2014. Investment spending has also gathered an underlying momentum (abstracting from one-off factors) and is expected to continue to do so over the forecast horizon. Taken together, this points to some increase in domestic demand in 2014, though this is likely to be modest given that many headwinds to recovery still remain. On the external side, while patent expirations in the pharmaceutical sector are likely to continue to have some impact, improving external demand is projected to support stronger export growth this year and next.

Taking account of these developments suggests a marginally weaker outturn for GDP growth last year, but a slightly stronger outlook for this year, than previously forecast. As a result of the weak first half of 2013, GDP is now estimated to have grown by a modest 0.4 per cent last year. However, taking account of the recent signs of recovery and factoring in an improvement in external demand, GDP growth of 2.1 per cent is forecast for 2014. In terms of GNP, however, the pattern of growth over 2013 and 2014 is more even. With the impact of patent expirations in 2013 being offset in measured GNP by a reduction in associated profit outflows, the out-turn for GNP growth in 2013 is likely to be around 2.0 per cent, with GNP growth of 2.2 per cent forecast for this year. In 2015, on the basis of consensus forecasts from the main international economic institutions projecting a recovery in external demand back to its long run trend and also supported by stronger growth in final domestic demand, GDP is forecast to grow by 3.2 per cent, with GNP expected to rise by 2.5 per cent. Ireland needs to continue along the path of consolidation and reform that it has pursued for some years now to help ensure that the emerging economic recovery is sustainable.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Quarterly Financial Accounts Q3 2013

30 January 2014

Quarterly Financial Accounts present a complete and consistent set of quarterly data for all resident institutional sectors in Ireland. They provide comprehensive information not only on the economic activities of households, non-financial corporations, financial corporations and Government, but also on the interactions between these sectors and the rest of the world. Transactions presented in this commentary are based on four-quarter moving averages, so as to smooth seasonality within the data.

Results summary, Q3 2013

- Household net worth rose by 3.5 per cent during Q3 2013, marking the largest increase since Q4 2006. By the end of the quarter, it stood at €489.6bn, equivalent to €106,605 per capita.
- Household debt continued to decline during Q3 2013, falling to €168.6bn or €36,717 per capita. This represented a decline of €1.6bn over the quarter.
- Indicators of household debt sustainability improved further during Q3 2013 but continue to remain high by international standards. Debt as a proportion of disposable income declined by 2.1 percentage points, falling to 196.1 per cent. Debt to total assets fell by 0.8 percentage points to 25.2 per cent.
- Domestic net lending is now at its highest level since the series began in 2003.
- Government liabilities continued to rise during Q3 2013, reaching €231.2bn. This represented an increase of €2.2bn compared to the previous quarter.
- Non-financial corporation debt as a percentage of GDP continued its decline, as it fell by 4.8 percentage points to reach 214 per cent, the lowest since Q3 2010.

1. Net Lending/Borrowing of All Sectors[1]

The domestic economy continued to be a net lender during Q3 2013, as the combined deleveraging by households and financial corporates outstripped the net borrowing of government and non-financial corporates. Domestic net lending is now at its highest level since the series began in 2003. The net lending/borrowing trends of households and government are described in detail in sections 3 and 4 respectively.

2. Private Sector Debt

Private sector non-consolidated debt[2] to GDP reduced by 6.4 percentage points during Q3 2013 to stand at 316.7 per cent of GDP (Chart 2.1). This represented a decline of €7.3 bn over the quarter. Private sector debt is now at its lowest level since Q3 2008. The decrease in debt over the quarter was due to declines in NFC and household debt of 1.6 per cent and 1 per cent respectively. An increase of 0.6 per cent in GDP, as measured by a 4 sum moving average, also contributed to the decrease in the debt to GDP ratio during Q3. Household and NFC debt are analysed further in Sections 3 and 5 respectively.

Private sector indebtedness forms part of the EU Commission’s scoreboard of macroeconomic imbalances. The Commission sets an indicative threshold of 160 per cent of GDP for private sector debt sustainability, substantially lower than Ireland’s 316.7 per cent. However, this threshold does not take account of the size of the MNC sector in Ireland relative to GDP.

3. Household Sector

Household net worth rose by 3.5 per cent during Q3 2013, marking the largest increase since Q4 2006 (Chart 3.1). By the end of the quarter, it stood at €489.6bn, equivalent to €106,605 per capita. Net worth has been on an upward trend since Q3 2012. It, however, still remains 31.9 per cent lower than its peak at Q2 2007.

The continuing upward trend in net worth during Q3 largely reflected a further rise in the value of housing assets (+€12.6bn). Further reductions in liabilities (-€1.8bn), and increases in the value of financial assets (+€2bn) also contributed towards the increase in net worth over the quarter.

Household debt continued to decline during Q3 2013, falling to €168.6bn or €36,717 per capita (Chart 3.2). This represented a decline of €1.6bn over the quarter. Overall debt has fallen by 17.2 per cent since its peak at Q4 2008.

Indicators of household debt sustainability improved further during Q3 2013. Debt as a proportion of disposable income declined by 2.1 percentage points, falling to 196.1 per cent. The decline reflected the reduction in household debt, as disposable income remained largely unchanged. This was its lowest level since Q4 2006 but continues to remain high by international standards[3]. Household debt to total assets fell by 0.8 percentage points to 25.2 per cent. This marked the largest decline in this indicator to date. The decline was driven by both the decrease in debt and the increase in the value of household assets.

Household investment in financial assets totalled €0.4bn during Q3 2013 (Chart 3.4). This was the lowest level of investment since Q4 2011. There was a reduction in investment in ‘currency and deposits’ compared to the previous four quarters. Investment in 'technical reserves' showed a marginal increase, while households reduced their investment in 'shares and other equity', when compared to Q2 2013.

Household net lending declined during Q3 2013 to €1.88bn, when measured as a four quarter moving average (Chart 3.5). This decrease was attributable to reduced investment in financial assets, and was slightly offset by higher net debt repayment over the quarter. Households have been net lenders since Q1 2009, as they continue reducing the debt incurred prior to the financial crisis.

Combining household saving and gross capital formation[4] data from the CSO's non-financial accounts (i.e. the real side of the economy) with households' transactions data from Quarterly Financial Accounts allows for a decomposition of how households use their savings[5]. Chart 3.6 shows that, when measured as a four quarter moving average, household savings remained largely unchanged during Q3 2013, falling by just €40m. Reduced investment in financial assets contributed towards the decline. This was largely offset, however, by an increase in net debt repayment of €40m and a rise in investment in gross fixed capital formation of €20m.

4. Government Sector

Government liabilities continued to rise during Q3 2013, reaching €231.2bn (Chart 4.1). This represented an increase of €2.2bn compared to the previous quarter. Quarterly Government Debt (QGD), which is the standard quarterly measure of debt consistent with Excessive Deficit Procedure (EDP)[6] methodology, increased by just €0.2bn, reaching €204.7bn. The primary reason for the lower increase in QGD compared to government liabilities was valuation changes. QGD is measured at nominal value and therefore, unlike government liabilities, does not fluctuate in accordance with market values.

The increase in government liabilities largely reflected further financing of € 2bn received by the State as part of the EU/IMF programme. An increase in the value of securities of €0.3bn also contributed toward the increase.

Government net worth declined further during Q4, falling to minus €147.9bn (Chart 4.2). This represented a decrease of nearly €4bn compared to the previous quarter. Overall net worth has declined by almost €147bn since Q4 2007.

The Government deficit, when measured as a 4-quarter moving average, improved further during Q3 2013, falling by €202m to reach minus €2.9bn (Chart 4.3). This was the lowest deficit recorded since Q3 2008. The State deficit has declined every quarter since Q4 2010.

5. Non-Financial Corporation Sector

Non-financial corporation (NFC) debt as a percentage of GDP continued its decline, as it fell by 4.8 percentage points to reach 214 per cent, the lowest since Q3 2010 (Chart 5.1). This is the fourth consecutive quarter where there has been a drop in debt. NFC debt decreased by €5.7 bn over the quarter to stand at €351bn. The reduction in NFC debt was driven by negative other changes and revaluations[7] (€9.9 bn), which was partially offset by NFCs acquiring almost €4 billion in loans in Q3 2013.

Irish NFCs continued to be the second most indebted in the EU during Q3 2013 (Chart 5.2). Although Irish NFC debt was 116 per cent lower than Luxembourg, which had the most indebted NFCs amounting to 330 per cent of GDP. When comparing NFC debt across countries, it is important to note that both Luxembourg and Ireland have substantial multinational corporation activities relative to the size of their economies[8].

NFC debt relative to its financial assets and liabilities continued its downward trend during Q3 2013 (Chart 5.3). Both indicators have declined every quarter since Q3 2012. Debt as a percentage of financial assets fell to 50.7 per cent, due to an increase in NFC financial assets and to a lesser extent, a fall in debt. Debt relative to total liabilities decreased to 37.3 per cent, due to an increase in NFC total liabilities and a drop in debt. Greater use by NFCs of funding from 'shares and equity' and 'other accounts payable' has contributed towards a reduction in this indicator.

6. Further information

The full data series for Ireland, quarterly commentary and notes on compilation are available from the Central Bank website at: http://www.centralbank.ie

Euro area statistics are available from the ECB website at: www.ecb.int.

Further information: Press Office: +353 (0) 1 224 6299/ press@centralbank.ie

[1] A positive value indicates that a sector is a net lender and a negative value indicates that a sector is a net borrower. Overall, the sum of net lending/borrowing of all sectors will sum to zero as, for every lender, there must be a corresponding borrower.

[2] Debt is comprised of debt securities and loans.

[3] A cross country comparison for Q2 2013 is contained in A. Kelly and O' Leary B. (2014) 'Box B: Analysis of Recent Trends of Household Debt Reduction'. Central Bank of Ireland, Quarterly Bulletin, Q1.

[4] Gross capital formation consists of acquisitions of fixed assets less disposals. It includes acquisitions of dwellings.

[5] The derivation of savings from a non-financial accounts perspective and a financial accounts perspective is elaborated upon further in M. Cussen, O' Leary B., Smith D. (2012), 'The Impact of the Financial Crisis on Households: a Cross Country Comparison', Central Bank of Ireland, Quarterly Bulletin No. 2.

[6] Government liabilities in QFA differ from the EDP measure of debt as they are calculated on a non-consolidated basis, and employ different coverage and valuation criteria.

[7] Other changes and revaluations include the effects of statistical re-classifications, changes in definitions, write-offs, revaluation effects and exchange rate effects.

[8] The impact of MNCs on NFC debt is analysed in detail in: Cussen M., and O' Leary B. (2013), 'Why are Irish Non-Financial Corporates so Indebted?', Central Bank of Ireland, Quarterly Bulletin No. 1.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Money and Banking Statistics: December 2013

31 January 2013

Credit to the Irish Economy continues to contract with loans to Households and Non-Financial Corporations again showing annual rates of decline. Irish private sector deposits continued to rise, mainly driven by an increase in deposits from Non-Financial Corporations.

Loans and other credit

- Household loan repayments exceeded drawdowns by €139 million during December 2013, following a net monthly decrease of €403 million in November. Developments in December reflect the decline in loans for house purchase, which fell by €167 million. Meanwhile, consumption related loans increased by €40 million over the month.
- On an annual basis, lending to Irish households continued to fall, decreasing by 4.1 per cent in December, compared to an annual decline of 4.3 per cent in November. Loans for house purchase continued to be the main category driving the change, declining at an annual rate of 3 per cent. Lending for consumption and other purposes which accounts for approximately 23 per cent of total household lending, declined by 7.6 per cent over the year.
- On a monthly basis, NFC loan repayments continued to exceed drawdowns. Loans to non-financial corporations (NFCs) declined by €1.3 billion (1.6 per cent) in December 2013, compared to a monthly decline of €238 million (0.3 per cent) in November. Developments in December reflect decline across all maturity categories of NFC loans; short-term loans up to one year fell by €519 million (1.9 per cent), medium-term loans between one and five years fell by €490 million (2.4 per cent) and long-term loans over 5 years fell by €418 million (1.3 per cent).
- Lending to Irish resident NFCs reported a year-on-year decline of 6 per cent in December 2013, following an annual decrease of 4.9 per cent in November. All maturity categories recorded declines over the year. The decline was most pronounced for medium-term loans which fell by 15.4 per cent. Smaller declines of 3.9 per cent and 1.3 per cent were recorded respectively for long-term and short-term NFC loans.
- Credit institutions' holdings of debt and equity securities issued by the Irish private sector decreased by €752 million during December 2013, following an increase of €453 million in November. This brought the annual rate of decline at end-December to 11.2 per cent compared to a decline of 19.7 per cent for end-November. The decrease in holdings of private-sector securities during December 2013 was entirely driven by developments in the holdings of debt securities issued by other financial

intermediaries (OFIs), which fell by €753 million over the month, bringing the annual rate of decline in these holdings to 11.5 per cent.

Deposits and other funding

- There was an increase of €570 million in Irish resident private-sector deposits during December 2013. This was mainly owing to a rise in deposits from NFCs of €1.4 billion; household deposits also increased by €28 million over the month. Meanwhile, OFI and ICPF deposits showed decreases of €682 million and €195 million over the month.
- Looking at the maturity breakdown, overnight deposits, which include current accounts, increased by €1.5 billion in December 2013. This was mainly driven by an increase of €1.4 billion in the NFC, while overnight deposits from households also increased, albeit more moderately, by €396 million over the month. Meanwhile, overnight deposits from the OFI and ICPF sectors decreased by €166 million and €103 million respectively over the month.
- Medium-term deposits with agreed maturity up to two years, continued to decline. There was a €940 million fall during December, which reflects decline across all four private sector categories. Deposits from OFIs and households fell by €582 million and €277 million, respectively. Deposits from the ICPF and NFC sectors registered more modest declines of €71 million and €10 million respectively over the month.
- Deposits with agreed maturity over two years increased by €39 million during December. This was owing to an increase in the OFI sector of €90 million. In contrast to this, longer-term deposits from households, ICPFs and NFCs all showed decline over the month, recording decreases of €29 million, €18 million and €4 million, respectively.
- Deposits from the Irish resident private sector increased at an annual rate of 8.4 per cent in December 2013, following a rise of 8.5 per cent in November. NFC deposits also increased over the year by 11.1 per cent. Meanwhile deposits from insurance corporations and pension funds (ICPFs) and households declined by 8 per cent and 1 per cent, respectively over the year.
- The annual increase in OFI deposits was 38.4 per cent, driven by a transaction in March 2013 related to the liquidation of the Irish Bank Resolution Corporation (IBRC). IBRC's liability to the Central Bank of Ireland was replaced by a liability to the National Asset Management Agency (NAMA), classified as an overnight deposit. This position will be unwound as the assets which currently remain on the IBRC balance sheet are transferred. Excluding the impact of this transaction, total OFI deposits at end-December would have decreased by 1.5 per cent on an annual basis, and total private-sector deposits would have increased by 0.7 per cent over the year.
- Developments in non-resident private-sector deposits continued to reflect on-going fragility in investor confidence. Non-resident deposits decreased by €1.4 billion during December 2013, following a €1.3 billion decrease in November. December's decrease was mainly due to a €1.7

billion decline in private sector deposits from other euro area residents; the majority of which was withdrawn from IFSC banks. Non-euro area private sector deposits increased by €246 million over the month. In annual terms, private-sector deposits from other euro area and non-euro area residents decreased by 11.2 per cent and 0.2 per cent, respectively.

- Credit institutions' borrowings from the Central Bank as part of Eurosystem monetary policy operations fell by €605 million in December 2013. The outstanding stock of these borrowings amounted to €39 billion at end-December. The domestic market group of credit institutions[1] accounted for €30.5 billion of this total outstanding stock and current levels represent the lowest level of reliance on central bank funding since August 2008.

Notes

Money and Banking statistics are compiled in respect of business written out of all within-the-State offices of both credit institutions authorised to carry on banking business in the State under Irish legislation and credit institutions authorised in other Member States of the EU operating in Ireland on a branch basis. Credit institutions authorised in other EU Member States operating in Ireland on a cross-border basis, i.e. with no physical presence in the State, are not included in the statistics.

Money and Banking Statistics currently include an aggregate balance sheet for the entire population of resident credit institutions, reported in Table A.4. Please note that the composition of the subsets of the population reported in Tables A.4.1 and A.4.2 have been updated as follows:

- A.4.1 – Domestic Market Group: Institutions whose ultimate parent entity is resident in Ireland (including credit unions), or which have a significant (>20 per cent) level of business with Irish households and non-financial corporations in terms of their overall resident business activity.
- A.4.2 – Irish-Headquartered Group: Institutions whose ultimate parent entity is resident in Ireland. This includes all credit unions.

A full list of credit institutions resident in the Republic of Ireland, as well as the subset of institutions that comprise the Domestic Market Group, are available in the Credit, Money and Banking section of the Central Bank website.

[1] The domestic market group of credit institutions are those who have a significant level of retail business with Irish households and NFCs, and would exclude the more internationally focused banks in the IFSC.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Central Bank of Ireland Issues Warning on Unauthorised Investment Firm/Investment Business Firm

11 February 2014

The Central Bank of Ireland today published the name of an unauthorised investment firm/investment business firm, Kyle Robert Cawley (Date of Birth 21/02/1987) trading as Wine Street Investment Management (Ireland). Kyle Robert Cawley (Date of Birth 21/02/1987) trading as Wine Street Investment Management (Ireland) is not authorised by the Central Bank as an investment firm, an investment business firm or to provide investment advice.

It is a criminal offence for an unauthorised firm/person to provide financial services in Ireland that would require an authorisation under the relevant legislation for which the Central Bank is the responsible body for enforcing. Consumers should be aware that, if they deal with a firm/person who is not authorised, they are not eligible for compensation from the Investor Compensation Scheme.

Any person wishing to contact the Central Bank of Ireland with information regarding such firms/persons may telephone (01) 224 4000. This line is also available to the public to check if a firm/person is authorised. Since obtaining the necessary legal powers in August 1998, the names of 218 unauthorised firms/persons have been published by the Central Bank.

Notes to editors:

The name of the above firm/person is published under the Central Bank (Supervision and Enforcement) Act 2013.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Statistics on Securities Issues of Irish Resident Entities: December 2013

12 February 2014

Summary:

- The outstanding amount of debt securities issued by Irish financial and non-financial firms, and by the Government sector was €867 billion at end-December 2013, a decrease of 5 per cent year-on-year. The outstanding amount of debt securities issued by euro area residents decreased by approximately one per cent.
- The outstanding amount of long-term Government debt securities stood at just over €111 billion, an increase of 26 per cent year-on-year.
- Market-based debt financing for the banking sector stood at €68.9 billion in December 2013, a decrease of 18 per cent year-on-year.
- Equity shares had an outstanding value of almost €271.5 billion at end-December. This includes quoted shares (€271.2 billion) which saw a year-on-year net increase of 31 per cent. The value of the stock of quoted shares issued by euro area residents increased by approximately 24 per cent.
-

Government Debt Issuance

Long-term Government debt securities stood at approximately €111.1 billion in December 2013, an increase of 26 per cent when compared with December 2012 (€87.9 billion).

Approximately €16.6 billion (or 15 per cent) of the euro-denominated long-term debt will fall due over the next 3 years (see Table 1).

Banking Sector

Market-based debt financing for the banking sector decreased by almost €2.8 billion in December 2013, compared to net issuance of €4.6 billion in the preceding month. This decrease reflected net redemptions of short-term debt securities.

Approximately €16.7 billion (or 24 per cent) of the total debt securities issued by the banking sector will fall due within the next 12 months.

Since December 2012, the outstanding amount of debt securities for this sector has decreased by 18 per cent to €68.9 billion with short-term debt contracting by 45 per cent (Chart 1 & 2). Over the past 12 months, the total outstanding amount of debt securities for this sector across the euro area decreased by approximately 9 per cent.

The outstanding amount of the banking sector's equity securities saw a year-on year increase of 27 per cent to €19.9 billion (Chart 3). This increase is primarily as a result of valuation changes.

Non-Financial Corporations

The outstanding amount of debt securities issued by non-financial corporations (NFC) in December 2013 remained unchanged since the previous month at just over €6.9 billion.

Approximately €272 million (or 4 per cent) of the total debt securities issued by NFCs will fall due within the next 12 months.

In December 2013, the value of the quoted shares outstanding for the NFC sector increased by 2 per cent to €234 billion. This represented a year-on-year increase of 32 per cent (Chart 4). The annual percentage change in market capitalisation for NFCs in the euro area was approximately 21 per cent.

Notes:

The data are largely compiled from an ESCB securities reference database, the Centralised Securities Database. The statistics are based on Irish resident sectors issuances of securities where an ISIN[1] code is assigned, irrespective of the market of issue or listing. Non-ISIN information is also provided for monetary financial institutions.

- Debt securities are broken down according to their original maturity and coupon type. Equity securities are classified into quoted and unquoted securities excluding investment fund shares/units.
- The difference between month-on-month equity stocks reflects valuation changes transactions in addition to transactions and other adjustments, for example, reclassifications and corrections.
- The data reflect revisions arising from data quality management activities performed by the Bank, which contribute to improvements in the data.
- Euro area figures are sourced from the ECB's Euro Area Securities Issues Statistics monthly publication.

[1] An ISIN code is a unique identifier assigned to an individual security.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Central Bank of Ireland Issues Warning on Unauthorised Retail Credit Firms

13 February 2014

The Central Bank of Ireland ('Central Bank') today published the name of two unauthorised retail credit firms, Asian Loan Financial Service (India) and Golden Star Financial Services (USA). Asian Loan Financial Service (India) and Golden Star Financial Services (USA) are not authorised as retail credit firms by the Central Bank.

A list of unauthorised firms/persons published to date is available on the Central Bank website.

It is a criminal offence for an unauthorised firm/person to provide financial services in Ireland that would require an authorisation under the relevant legislation for which the Central Bank is the responsible body for enforcing. Consumers should be wary of advertisements offering loans from unauthorised/anonymous firms or persons. Consumers can check the Central Bank registers online to find out if a firm they are dealing with is authorised.

Any person wishing to contact the Central Bank with information regarding such firms/persons may telephone (01) 224 4000. This line is also available to the public to check if a firm/person is authorised. Since obtaining the necessary legal powers in August 1998, the names of 220 unauthorised firms/persons have been published by the Central Bank.

Notes to editors

The name of the above firm/person is published under the Central Bank (Supervision and Enforcement) Act 2013.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Retail Interest Rate Statistics: December 2013

14 February 2014

Key Developments:[1]

- The interest rate on new loans to households for house purchase, with either a floating rate or short term rate fixation, increased by 2 basis points to 3.25 per cent in December 2013. Rates on outstanding loans for house purchase fell by one basis point from the previous month to stand at 2.80 per cent.
- The interest rate on total outstanding household term deposits continued to decline, falling for the twentieth consecutive month, to 2.19 per cent at end-December. Over the past number of months there has been evidence of movement in deposits from medium-term categories towards the overnight category, highlighting the low deposit rates currently on offer.
- New business rates for non-financial corporation (NFC) loans of less than €1 million[2] fell by 76 basis points in the month. These rates continued to be volatile due to the low volumes of new business.
- The weighted average interest rate on outstanding NFC term deposits decreased by 4 basis points to 1.5 per cent at end-December.

Households

Loans to Households

The interest rate on **new loan agreements to households for house purchase**, with either a floating rate or initial rate fixation of up to one year, was 3.25 per cent at end-December 2013. Over the twelve months to December 2013 the rate averaged 3.25 per cent. The corresponding end-December interest rate for the euro area was 47 basis points lower at 2.78 per cent.

Floating rate loans accounted for 84 per cent of all new mortgage business in the domestic market over the past year. In contrast, the corresponding euro area figure accounted for 27 per cent of new mortgage business over the past year.

The weighted average interest rate on **outstanding loans to households for house purchase** remained relatively constant over the month, standing at 2.8 per cent at end-December 2013. The corresponding end-December interest rate for the euro area was higher, at 3.33 per cent. Interest rates on outstanding mortgages in Ireland have typically reflected movements in the ECB's main refinancing rate (MRO), due to the higher proportion of tracker and other variable rate mortgage products in the domestic market (Chart 1). This is illustrated by a 14 basis point fall in Irish rates compared with a three basis point fall in Euro Area rates since the ECB cut its MRO rate in November.

The weighted average interest rate on **new loans to households for non-housing purposes** fell by 55 basis points over the month, to stand at 7.05 per cent. It should be noted that new business volumes for this instrument category have been particularly low in recent years, resulting in a volatile interest rate series.

The weighted average interest rate on **outstanding amounts of non-housing related loans** was 6.53 per cent in December 2013, representing an 11 basis point increase over the month and an 87 basis point rise since December 2012. This year-on-year increase was mainly driven by short-term loans for consumption and other purposes which have an agreed maturity of up to 1 year. The corresponding rate for all non-housing loans in the euro area was lower at 5.53 per cent in December 2013.

Deposits from Households

Interest rates on **new household term deposits** stood at 0.84 per cent at end-December 2013, representing a 12 basis point increase over the month. However, rates declined by 50 basis points over the year to end-December 2013. Caution is warranted in the interpretation of new deposit business, as new business volumes also include existing deposit agreements renegotiated during the month.

The weighted average interest rate on total **outstanding household term deposits** continued to fall in December to 2.19 per cent, representing a 134 basis point drop since their last increase in April 2012. Developments have been mainly driven by declining rates in medium-term deposits (agreed maturity up to two years). Over the past number of months there has been a discernible movement of deposits from the medium-term category, highlighting the low interest rates currently on offer. At end-December 2013, interest rates on redeemable at notice products stood at 1.08 per cent, having remained broadly stable since mid-2013.

Non-Financial Corporations (NFCs)

Loans to NFCs

The weighted average interest rate on **new loan agreements to NFCs** up to €1 million (often used as a proxy for SME lending), fell to 4.4 per cent at end-December. This represented a 76 basis point decrease over the month and brought the twelve-month average to 4.61 per cent. The corresponding interest rate reported by euro area credit institutions for December was 3.75 per cent.

In terms of new business NFC loans above €1 million, the weighted average interest rate increased by 10 basis points to 3.16 per cent at end-December. New business volumes in these instrument categories are particularly low, resulting in pronounced month-on-month volatility. The equivalent euro area interest rate remained at 2.35 per cent.

The weighted average interest rate on **outstanding loans to NFCs** issued by Irish resident credit institutions increased by 3 basis points to 3.04 per cent at end-December 2013 (Chart 2). Interest rates in this category have averaged 3.02 per cent over the past twelve months. The equivalent euro area weighted average interest rate at end-December was 3.28 per cent.

Deposits from NFCs

The interest rate on **new NFC term deposits** was 0.48 per cent at end-December 2013, representing a fall of 46 basis points since December 2012. The equivalent euro area interest rate was higher at 0.84 per cent at end-December 2013.

The weighted average interest rate on **outstanding NFC term deposits** declined by 4 basis points during December to 1.5 per cent. This represents a 89 basis point fall since December 2012. Annual developments were driven by deposits with agreed maturity up to two years, which accounted for 94 per cent of NFC term deposits over the year.

Note:

Retail Interest Rate Statistics cover all euro-denominated lending to, and deposits from, households and non-financial corporations (NFCs) in the euro area by credit institutions resident in Ireland. Interest rates on outstanding amounts cover all loans and deposits outstanding on the last working day of the month, while interest rates applicable to new business volumes cover all new loan and deposit business agreed during the month.

For retail interest rate statistics purposes, new business is defined as any new agreement between the customer and the credit institution. This agreement covers all financial contracts that specify, for the first time, the interest rate of the deposit or loan, including any renegotiation of existing deposits and loans. Automatic renewals of existing contracts, which occur without any involvement by the customer, are not included in new business. New business volumes have been exceptionally low in various instrument categories during the last number of months. Low volumes of this nature can result in increased volatility within the interest rate series.

[1] Recent data are often provisional and may be subject to revision.

[2] The weighted average interest rate on new loans to NFCs, up to €1 million, is often taken as a proxy for the prevailing rate applicable to SME lending.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Central Bank of Ireland Issues Warning on Unauthorised Investment Firm/Investment Business Firm

14 February 2014

The Central Bank of Ireland ('Central Bank') today (14 February 2014) published the name of an unauthorised investment firm/investment business firm, Helvetia Wealth AG (Switzerland). **Helvetia Wealth AG (Switzerland)** is not authorised by the Central Bank as an investment firm, an investment business firm or to provide investment advice.

It is a criminal offence for an unauthorised firm/person to provide financial services in Ireland that would require an authorisation under the relevant legislation for which the Central Bank is the responsible body for enforcing. Consumers should be aware that, if they deal with a firm/person who is not authorised, they are not eligible for compensation from the Investor Compensation Scheme.

Any person wishing to contact the Central Bank of Ireland with information regarding such firms/persons may telephone (01) 224 4000. This line is also available to the public to check if a firm/person is authorised. Since obtaining the necessary legal powers in August 1998, the names of 221 unauthorised firms/persons have been published by the Central Bank.

Notes to editors

The name of the above firm/person is published under the Central Bank (Supervision and Enforcement) Act 2013.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Generation €uro Students' Award Finalists Announced

18 February 2014

The Central Bank of Ireland has announced the finalists of the Generation €uro Students' Award for 2014 who will compete at the National Final on Monday 10 March at the Central Bank.

Transition year students from Gonzaga College S.J., Dublin; Marian College, Dublin and Tullamore College, Co. Offaly have reached the final stage of the national competition where they will present to a panel of economists at the Central Bank, chaired by Deputy Governor, Stefan Gerlach.

Gonzaga College is represented by students Killian Prendergast, Phillip Mulvey, Mark Mulreany and Andrew Kilgallen. Marian College is represented by students James Christian, Jack Forsythe, Gavin Boyne and Arnoldas Jursys. Tullamore College is represented by students Cian Fogarty, Stephen O'Connor, David Garamszegi and Jennifer Coyne.

The National Winners will represent Ireland at the European Central Bank in Frankfurt in April where they will meet ECB President Mario Draghi and the winning teams from across Europe.

Notes for Editors

The Generation €uro Students' Award is a euro area-wide initiative organised by the European Central Bank (ECB) and participating national central banks across the euro area including the Central Bank of Ireland.

The competition consists of three rounds including an online quiz, a group essay and a presentation by the finalists to a panel at the Central Bank of Ireland.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Central Bank Publishes Programme of Themed Reviews and Inspections for 2014

25 February 2014

The Central Bank of Ireland today (25 February 2014) published its planned series of themed reviews and inspections for 2014.

The main themes include examinations of the following areas:

CONSUMER PROTECTION

- **SME Lending** – Conduct an inspection into SME lending to monitor compliance and to inform the review of the SME Code which will commence in 2014.
- **Advertising Requirements** – A review of compliance with advertising requirements in specific sectors will take place.
- **Compliance with the Code of Conduct on Mortgage Arrears (CCMA)** – Inspection of mortgage lenders to test compliance with the revised CCMA which came into effect on 1 July 2013.
- **Provision of Information on Fees and Charges** – Assessment of whether information provided to clients on fees and charges by Investment and Stockbroking firms is fair, clear and not misleading.
- **Debt Management Firms** – Inspections of newly authorised Debt Management firms to assess compliance with the conditions of their authorisation.
- **Retail Intermediaries** –
    - **Newly Authorised Firms Compliance** – Inspection of these firms to analyse compliance with selected conduct of business obligations.
    - **Professional Indemnity Insurance** (PII) – Review of insurance intermediaries' compliance with PII requirements.
    - **Solvency/Financial Position** – Review of retail intermediaries' compliance with prudential requirements.
    - **Firms that fail to engage appropriately with the Central** Bank – The Central Bank will seek to take action against intermediary firms which are un-contactable/fail to engage appropriately with the Central Bank.

MARKETS

- Outsourcing of Activities by Fund Administrators – An assessment of the risk to the valuation process where administrators outsource some or all of the Net Asset Value calculation process.
- Data integrity of regulatory returns – Examination of data contained in regulatory capital returns submitted by investment firms and fund service providers.
- Corporate Governance of Investment Funds and Fund Managers – Assess corporate governance arrangements for firms in this sector.
- Conduct of Business for Investment and Stockbroking Firms - Assess firms' arrangements in relation to the procedures for the collection of data to satisfy MiFID[i] client categorisation and suitability requirements.
- Client assets[1] - Review of investment firms to assess compliance with these requirements.

ANTI-MONEY LAUNDERING COMPLIANCE

- **Anti-Money Laundering, Countering the Financing of Terrorism and Financial** Sanctions – A review of the risk mitigation and control frameworks which have been put in place by firms to manage their Anti-Money Laundering risk.

Themed reviews and inspections are an important part of the Central Bank's supervisory framework allowing for review, assessment and mitigation of risks which have emerged in various industry sectors and across individual firms. The publication of planned themed inspections enables firms in the relevant sectors to self-assess and raise compliance standards, where necessary, in these key risk areas.

Themed reviews and inspections:

- allow the Central Bank to monitor compliance with the relevant rules and requirements;
- may form the basis for regulatory or enforcement actions where breaches are identified;
- help to raise industry standards by identifying and highlighting both good and poor practices;
- highlight particular risks as well as the Central Bank's expectations on how these risks should be, and
- help to build awareness of and confidence in our regulatory role through the publication of the main findings and related actions.

In addition to the planned series of inspections, the Central Bank will also continue to conduct additional reactive inspections on key issues and themes as they arise throughout the year.

ENDS

Further information: Press Office: (01) 224 6299

[1] These requirements set out the rights, duties and responsibilities of a firm in relation to client funds and client financial instruments received and held by it, arising from its investment activities.

[i] MiFID (the Markets in Financial Instruments Directive) is legislation for the regulation of investment services within the European Economic Area.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Central Bank Publishes Enforcement Priorities in 2014

25 February 2014

The Central Bank of Ireland today (25 February 2014) published its enforcement priorities for 2014 highlighting the importance of enforcement within its risk-based regulatory framework.

During 2013, the Central Bank entered into 16 enforcement settlements with regulated entities, with fines totalling €6,348,215 being imposed. All of the actions taken during 2013 related to one or more of the priority areas highlighted at the outset of the year. In 2014, the Central Bank aims to build upon the work carried out in these priority areas.

Director of Enforcement, Derville Rowland, said: 'This is the fourth year that the Central Bank has published a list of enforcement priorities highlighting areas of significant importance to it.

We have again worked closely with our supervisory divisions to prioritise the areas of greatest concern to them and for the first time we are publishing our priorities by industry sector. Certain priority areas are identified year on year, across almost all industry sectors. We have highlighted why these areas are consistently a priority for the Central Bank to ensure that the focus of our enforcement resources will help promote compliance in the areas that are of greatest importance to the Central Bank.

Since 1 August 2013, the administrative sanctions procedure is fully applicable to credit unions so enforcement priority areas for that sector have also been identified for the first time.'

Enforcement priority areas for 2014:

Banking & Insurance

- Prudential requirements
- Systems & controls

Markets

- Prudential requirements (with a focus on large exposures)
- MiFID conduct of business rules
- Client Asset Requirements
- Timeliness and accuracy of information submitted to the Central Bank
- Systems & controls

Credit Unions

- Prudential requirements (with a focus on reserves, liquidity, lending & investments)
- Timeliness and accuracy of information submitted to the Central Bank
- Systems & controls
- Governance

Consumer Protection

- Code of Conduct for Mortgage Arrears
- Prudential requirements for retail intermediaries and debt management firms
- Professional indemnity insurance
- Firms which fail to engage appropriately with the Central Bank

All Sectors

- Fitness and probity obligations of the Central Bank Reform Act 2010
- Anti-Money Laundering (AML)/Counter Terrorism Financing (CTF) compliance

Continuing priority areas

There is a continuing enforcement focus on certain areas across almost all industry sectors, most notably, prudential requirements and systems and controls. As well as being consistently highlighted as enforcement priority areas, a large proportion of the settlements reached by the Central Bank concern breaches of requirements in these areas.

The Central Bank is tasked with the statutory objective of ensuring the proper and effective regulation of financial service providers and the markets within which they operate. Compliance with key prudential requirements is of paramount importance in ensuring the financial soundness of regulated financial service providers. Breaches of these requirements are viewed as unacceptable as they constitute a significant threat to the customers and creditors of regulated financial service providers and the markets in which they operate.

In addition, the Central Bank views the existence and proper functioning of a firm's systems and controls as being fundamental to ensuring its compliance with its regulatory requirements. The existence of inadequate systems and controls, incomplete procedures and/or a failure to employ effective resources is an unacceptable risk to the Central Bank as it can be the basis for and indeed potentially leads to large scale detriment to consumers.

Industry can expect that the Central Bank will maintain our enforcement focus in these areas, in addition to the other priority areas identified.

‘Reactive’ cases

Enforcement actions do not relate solely to these ‘pre-defined’ enforcement priorities. We have made provision in the allocation of our resources to allow us to react to serious issues identified through day-to-day supervisory work and from other information sources e.g. whistleblowing.

Low impact firms

Resources have also been specifically allocated to enforcement actions for firms with a low impact PRISM rating. Smaller firms will have lesser engagement with the Central Bank. For that reason, where breaches by small firms are discovered, we will use enforcement as a reminder that the regulatory rule book is mandatory, and non-compliance is regarded as serious. This approach promotes compliance through deterrence and complements the PRISM framework.

ENDS

Further information: Press Office (01) 224 6299

Notes for editors

MiFID Regulations: the European Communities (Markets in Financial Instruments) Regulations, SI 60/2007

PRISM: The Central Bank’s risk-based regulatory framework, PRISM, is squarely focused on the Central Bank being more assertive and prioritising the allocation of resources to areas where we believe the greatest risks lie.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Central Bank Data on Financial Vehicle Corporations (FVCs) in Q4 2013

27 February 2014

The overall trend of declining FVC asset values seen since Q4 2010, continued during the quarter. Conversely, and similar to the last two quarters, the number of reporting FVC vehicles increased in Q4 2013. This trend of declining asset values combined with increasing reporting numbers reflects a move away from larger FVC vehicles types towards smaller securitisation type vehicles.

Total FVC assets decreased by €5.1 billion to €418.5 billion over the quarter. This reflects net transactions outflows of €6.3 billion, which were partially offset by positive revaluations of €1.2 billion (Chart 1). Transactions were driven by outflows from securitised loans and deposits and loan claims of €7.4 billion and €1.9 billion, respectively, largely as a result of the winding up and liquidation of a number of larger FVC vehicle types.

Despite the continuing decrease in asset values, the number of reporting vehicles increased from 708 in Q3 2013 to 715 in Q4 2013. The divergence between asset values and reporting numbers indicates a continued move away from larger FVC vehicle types with multi-billion portfolios of securities, such as residential mortgage backed securities (RMBS) and commercial mortgage backed securities (CMBS). FVCs registered during the quarter were primarily smaller securitisation types such as corporate and consumer asset backed securities as well as smaller RMBS vehicles. This may reflect a more cautious approach from investors who are tending to invest in smaller securitisations such as auto loans and trade receivables.

RMBS and CMBS were the two vehicles types to see some of the largest declines in asset values in Q4 2013. On an annual basis, RMBS and CMBS fell by 17 per cent and 26 per cent, respectively, while asset values during the quarter dropped by 9 per cent for both. However, vehicle types with smaller and shorter dated type securitisations increased in value over the quarter, with asset backed commercial paper and consumer asset backed securities increasing both by 5 per cent and corporate asset backed securities increasing by 10 per cent.

Transactions on the liabilities side in Q4 2013 saw a shift from longer-term debt securities into shorter dated securities. Repayments of total debt securities combined with a large outflow from loans and deposits received were due to the winding up of a number of larger FVC vehicle types.

Euro area FVCs asset values declined by €44.3 billion in Q4 2013, the eighth consecutive quarterly decline recorded. Similar to Ireland, transactions were almost entirely driven by outflows of €33.5 billion and €13.6 billion from securitised loans and deposits and loan claims, respectively. Ireland’s share of euro area assets increased slightly to 21.9 per cent in Q4 2013 from 21.7 per cent in the previous quarter.

Notes to Editors

These data were collected under the requirements of Regulation (EC) No. 24/2009 concerning statistics on the assets and liabilities of financial vehicle corporations engaged in securitisation transactions (ECB/2008/30), which was passed on 19 December 2008, obliging financial vehicle corporations to report quarterly balance sheets. Reporting is obligatory for all financial vehicle corporations resident in Ireland.

'Financial vehicle corporations' (FVCs) are undertakings which are constituted pursuant to National or Community Law and whose principal activity meets both of the following criteria:

- to carry out securitisation transactions which are insulated from the risk of bankruptcy or any other default of the originator;
- to issue securities, securitisation fund units, other debt instruments and/or financial derivatives, and/or to legally or economically own assets underlying the issue of securities, securitisation fund units, other debt instruments and/or financial derivatives that are offered for sale to the public or sold on the basis of private placements.

'Securitisation' refers to a transaction or scheme whereby: (i) an asset or pool of assets is transferred to an entity that is separate from the originator and is created for or serves the purpose of the securitisation; and/or (ii) the credit risk of an asset or pool of assets, or part thereof, is transferred to the investors in the securities, securitisation fund units, other debt instruments and/or financial derivatives issued by an entity that is separate from the originator and is created for or serves the purpose of the securitisation.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

New Research on the Impact of Bank Market Power on SME Financing Constraints

27 February 2014

The Central Bank of Ireland today publishes new research entitled “Does bank market power affect SME financing constraints?”

This study uses firm and bank balance sheet data from across Europe between 2005 and 2008 to provide cross-country tests of the following hypotheses for the first time in a developed country setting:

- The bank market power (BMP) hypothesis that higher market power in bank lending leads to lower quantities and higher prices for borrowers, and
- The information hypothesis (IH) that when banks have greater market power, they will make greater investments in their relationships with SME borrowers, which will lead to greater credit availability.

The key findings of the research are:

- The impact of bank market power on lower firm investment is driven by the adverse effect of bank market power on SME financing constraints.
- The heterogeneous effect of bank market power on financing constraints is strongest among ‘micro’ enterprises.
- In countries where the private sector is more reliant on banks for funding, the effect of bank market power on SME financing constraints and investment is exacerbated.

Ireland has been shown to be experiencing increased concentration in SME lending markets and to have among the most bank-reliant SME populations in Europe in recent studies, suggesting this is a particular concern for Irish policy makers.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Money and Banking Statistics: January 2014

28 February 2014

Summary:

Credit to households and non-financial corporations continues to contract on an annual basis, as repayments outstrip new lending. Conversely, Irish private sector deposits increased on an annual basis, despite net outflows in January.

Loans and other credit

- Household loan repayments exceeded drawdowns by €856 million during January 2014, following a net monthly decrease of €143 million in household loans in December. Developments in January reflect the decline across all categories of household loans, with the most substantial decrease seen in loans for house purchase, which fell by €416 million.
- On an annual basis, lending to Irish households continued to fall, decreasing by 4.1 per cent in January 2014; unchanged from the December figure. Loans for house purchase, which account for 78 per cent of total household loans, declined at an annual rate of 3 per cent. Lending for consumption and other purposes declined by 7.6 per cent over the year.
- On a monthly basis, non-financial corporation (NFC) loan repayments continued to exceed drawdowns in January 2014. Loans to NFCs declined by €94 million (0.1 per cent) in January, compared to a monthly decline of €1.2 billion (1.5 per cent) in December. Developments in January reflect the decline in short- and medium-term NFC loans of €350 million (1.3 per cent) and €328 million (1.6 per cent), respectively. More encouragingly, long-term NFC loans showed a €198 million (0.6 per cent) increase in January 2014.
- Lending to Irish resident NFCs reported a year-on-year decline of 5.8 per cent in January 2014, following an annual decrease of 5.9 per cent in December. All maturity categories recorded declines over the year. The decline was most pronounced for medium-term loans which fell by 12.6 per cent. More modest declines of 4.7 per cent and 3.9 per cent were recorded respectively for long-term and short-term NFC loans.
- Credit institutions' holdings of debt and equity securities issued by the Irish private sector decreased by €246 million during January 2014, following a decrease of €752 million in December. This brought the annual rate of decline at end-January to 11.2 per cent, unchanged from the December rate. The decrease in holdings of private-sector securities

during January 2014 was mainly driven by developments in the other financial intermediaries (OFIs) sector, which fell by €225 million over the month, bringing the annual rate of decline in these holdings to 11.6 per cent.

Deposits and other funding

- There was a decrease of €623 million in Irish resident private-sector deposits during January 2014. This was mainly owing to a fall in deposits from OFIs of €652 million; NFC deposits also fell by €470 million over the month. Meanwhile, household and insurance corporations and pension funds (ICPFs) deposits showed increases of €397 million and €101 million respectively over the month.
- Looking at the maturity breakdown, overnight deposits, which include current accounts, increased by €259 million in January 2014. This was mainly driven by an increase of €724 million in the household sector; overnight deposits from ICPFs also increased by €176 million over the month. Meanwhile, overnight deposits from the OFI and NFC sectors decreased by €527 million and €114 million respectively.
- Medium-term deposits with agreed maturity up to two years, continued to decline. There was a €675 million fall during January, which again reflects decline across all four private sector categories. Deposits from NFCs and households fell by €354 million and €168 million, respectively. Deposits from the ICPF and OFI sectors registered more modest declines of €78 million and €75 million respectively over the month.
- Deposits with agreed maturity over two years decreased by €160 million during January. This was owing to a decrease in the household and OFI sectors of €121 million and €64 million respectively. In contrast to this, longer-term deposits from NFCs and ICPFs showed increases of €20 million and €5 million respectively over the month.
- On an annual basis, deposits from the Irish resident private sector increased at a rate of 6.9 per cent in January 2014, following a rise of 8.4 per cent in December. NFC deposits increased over the year by 9.1 per cent, while deposits from ICPFs and households declined by 13.3 per cent and 0.6 per cent, respectively.
- The annual increase in OFI deposits was 33.5 per cent, driven by a transaction in March 2013 related to the liquidation of the Irish Bank Resolution Corporation (IBRC). IBRC's liability to the Central Bank of Ireland was replaced by a liability to the National Asset Management Agency (NAMA), classified as an overnight deposit. This position will be unwound as the assets which currently remain on the IBRC balance sheet are transferred. Excluding the impact of this transaction, total OFI deposits at end-January would have decreased by 5.5 per cent on an annual basis, and total private-sector deposits would have decreased by 0.7 per cent over the year.
- Developments in non-resident private-sector deposits continued to reflect on-going fragility in investor confidence. Non-resident deposits

decreased by €373 million during January 2014, following a €1.4 billion decrease in December. Developments in January were mainly driven by a €535 million decline in private sector deposits from non-euro area residents; the majority of which was withdrawn from IFSC banks. Conversely, other-euro area private sector deposits increased by €162 million over the month. In annual terms, private-sector deposits from other euro area residents decreased by 10.3 per cent, meanwhile deposits from non-euro area residents increased by 0.4 per cent.

- Credit institutions' borrowings from the Central Bank as part of Eurosystem monetary policy operations fell by €1.9 billion in January 2014. The outstanding stock of these borrowings amounted to €37.1 billion at end-January. The domestic market group of credit institutions[2] accounted for €29.8 billion of this total outstanding stock and current levels represent the lowest level of reliance on central bank funding since August 2008.

Note:

Money and Banking Statistics currently include an aggregate balance sheet for the entire population of resident credit institutions, reported in Table A.4. Please note that the composition of the subsets of the population reported in Tables A.4.1 and A.4.2 have been updated as follows:

A.4.1 – Domestic Market Group: Institutions whose ultimate parent entity is resident in Ireland (including credit unions), or which have a significant (>20 per cent) level of business with Irish households and non-financial corporations in terms of their overall resident business activity.

A.4.2 – Irish-Headquartered Group: Institutions whose ultimate parent entity is resident in Ireland. This includes all credit unions.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Residential Mortgage Arrears and Repossessions Statistics: Q4 2013

4 March 2014

Summary

- The number of mortgage accounts for principal dwelling houses (PDH) in arrears, fell for the second consecutive quarter in Q4 2013. A total of 136,564 (17.9 per cent) of accounts were in arrears at end Q4 2013, a decline of 3.3 per cent relative to end-Q3, although the size of the decline was impacted by asset sales over the quarter.
- The number of PDH accounts in early arrears of less than 90 days declined by 5.7 per cent during the fourth quarter, compared to a decrease of 5.5 per cent in Q3.
- PDH mortgage accounts in arrears of over 90 days at end-December 2013 decreased by 2,262 (2.3 per cent) over quarter. This represents the first decline in the number of accounts in arrears over 90 days, since the series began in September 2009.
- However, the decline in the overall number of mortgage accounts in arrears, masks continuing increases in very long-term arrears. While the number of accounts in arrears between 90 and 720 days declined by 4,017 over the quarter, accounts in arrears of over 720 days increased by 1,755.
- At end Q4 2013, there were 33,589 mortgage accounts with arrears of greater than 720 days corresponding to outstanding balances of €6.9 billion. These accounts represented almost 63 per cent of outstanding arrears on PDHs at end-December 2013.
- There was a total stock of 84,053 PDH mortgage accounts classified as restructured at end-December, reflecting a quarter-on-quarter increase of 4.3 per cent. Of these restructured accounts, 79.3 per cent were deemed to be meeting the terms of their current restructure arrangement.
- The largest increases in restructures were recorded for arrears capitalisation and split mortgages, while the largest declines related to interest only arrangements.
- The number of buy-to-let (BTL) mortgage accounts in arrears fell from 40,396 (27.4 per cent) to 39,250 (27 per cent) in the fourth quarter of 2013. However, in line with PDH developments, there were divergent trends between accounts in arrears of less than 720 days and accounts in arrears over 720 days, with the latter continuing to rise.
- There were 12,218 (8.4 per cent) residential mortgage accounts for BTL properties in arrears of over 720 days at end-December 2013, up from 11,597 (7.9 per cent) at end-September 2013. The outstanding balance on these accounts at end-December was €3.9 billion.

Residential Mortgages on Principal Dwelling Houses

Arrears

At end-December 2013, there were 764,567 private residential mortgage accounts for principal dwellings held in the Republic of Ireland, to a value of €107.4 billion. Of this total stock, 136,564 accounts were in arrears, (a fall of 4,705 over the quarter) and 96,474 (12.6 per cent) were in arrears of more than 90 days.[1] The size of quarter-on-quarter change for Q4 2013 is, however, impacted by asset transfers, but this does not change overall trends. Accounts in arrears of over 90 days were 2,262 lower, when compared to end-September 2013. This marks the first decrease in arrears over 90 days since the series began in September 2009. The outstanding balance on PDH mortgage accounts in arrears of more than 90 days was €18.2 billion at end-December, equivalent to 16.9 per cent of the total outstanding balance on all PDH mortgage accounts.

Early arrears continued to decline during the fourth quarter of the year. There was a quarter-on-quarter fall of 5.7 per cent in the number of accounts in arrears of less than 90 days, which stood at 40,090 at end-December, or 5.2 per cent of the total stock. Longer-term arrears continued to increase, however, as the number of accounts in arrears over 360 days reached 60,422 at end-December, equivalent to 7.9 per cent of the total stock of PDH mortgage accounts. All of this increase was driven by accounts in arrears of over 720 days, which rose by 1,755 and now constitute 24.6 per cent of all accounts in arrears, and 62.6 per cent of arrears outstanding. The pace of increase in longer-term arrears has continued to moderate, however, and, combined with the reduction in early arrears this quarter, resulted in a decline in the overall stock of PDH accounts in arrears of 3.3 per cent relative to Q3 (4.4 per cent decline in value terms). Nonetheless, the value of accounts in longer-term arrears over 360 days remains large, amounting to €12 billion at end-December.

Restructuring Arrangements

Forbearance techniques include: a switch to an interest only mortgage; a reduction in the payment amount; a temporary deferral of payment; extending the term of the mortgage; and capitalising arrears amounts and related interest[2]. The figures also include some advanced modification options such as split mortgages and trade-down mortgages, which have been introduced recently to provide more long-term solutions for customers in difficulty.

A total stock of 84,053 PDH mortgage accounts were categorised as restructured at end-December 2013. This reflects an increase of 4.3 per cent from the stock of restructured accounts reported at end-September. The share of interest only arrangements of less than one year and reduced payment arrangements fell further during Q4, to 36 per cent from 44 per cent at end Q3 indicating a move out of short-term arrangements. Arrears capitalisations and term extension arrangements increased during the fourth quarter of the year, and accounted for 22 per cent and 19 per cent of total restructures at end-Q4, respectively. A breakdown of restructured mortgages by type is presented in Figure 2. A total of 28,364 new restructure arrangements[3] were agreed during the fourth quarter of the year, reflecting a 19 per cent increase on the number of new arrangements agreed during the third quarter. The data on arrears and restructures indicate that of the total stock of 136,564 PDH accounts that were in arrears at end-December, 38,416 (28.1 per cent) were classified as restructured at that time.

Of the total stock of restructured accounts at end-December, 54.3 per cent were not in arrears. Restructured accounts in arrears include accounts that were in arrears prior to restructuring where the arrears balance has not yet been eliminated, as well as accounts that are in arrears on the current restructuring arrangement. At end-December, 79.3 per cent of restructured PDH accounts were deemed to be meeting the terms of their arrangement. This means that the borrower is, at a minimum, meeting the agreed monthly repayments according to the current restructure arrangement. It is important to note that 'meeting the terms of the arrangement' is not a measure of sustainability, as not all restructure types represent longer-term sustainable solutions. For instance, short-term interest only restructures are, in general, not part of longer-term sustainable solutions. However, inability to meet the terms of the arrangement implies that the restructure agreement put in place may not have been suitable. Table 1 shows the percentage of restructured accounts that were deemed to be meeting the terms of their arrangement at end-December 2013, broken down by arrangement type. Lower numbers indicate a higher incidence of 're-default', and these are particularly evident amongst arrears capitalisation cases, as well as cases in which a permanent interest rate reduction has been granted. As the figures in Table 1 only reflect compliance with the terms of the current restructure arrangement, we should expect to see a higher percentage of compliance among the restructure types that are likely to be shorter-term.[4] Nonetheless, the figures imply that of the total stock of accounts in the arrears capitalisation category, 42.1 per cent of PDH accounts have 're-defaulted', i.e. the arrears balance has increased since the arrangement was put in place.

Legal Proceedings and Repossessions

During the fourth quarter of 2013, legal proceedings were issued to enforce the debt/security on a PDH mortgage in 1,491 cases. Court proceedings concluded in 258 cases during the quarter, and in 82 of these cases the Courts granted an order for repossession or sale of the property. There were 1,012 properties in the banks' possession at the beginning of the quarter. A total of 168 properties were taken into possession by lenders during the quarter, of which 63 were repossessed on foot of a Court Order, while the remaining 105 were voluntarily surrendered or abandoned. During the quarter 166 properties were disposed of. As a result, lenders were in possession of 1,014 PDH properties at end-December 2013.

Residential Mortgages on Buy-to-Let Properties

Arrears

At end-December 2013, there were 145,530 residential mortgage accounts for buy-to-let properties held in the Republic of Ireland, to a value of €29.7 billion. Some 39,250 (27 per cent) of these accounts were in arrears, compared to 40,396 (27.4 per cent) at the end of the third quarter. Of this total stock of accounts, 30,706, or 21.1 per cent, were in arrears of more than 90 days, reflecting a decrease of 1.5 per cent over the quarter. The outstanding balance on BTL mortgage accounts in arrears of more than 90 days was €8.7 billion at end-December, equivalent to 29.2 per cent of the total outstanding balance on all BTL mortgage accounts.

The number of BTL accounts that were in arrears of more than 180 days was 26,340 at end-December 2013, reflecting a quarter-on-quarter decrease of 1.1 per cent. However, in line with PDH developments, accounts in arrears over 720 days continued to rise. These now total 12,218 accounts or 8.4 per cent of the total stock of BTL mortgage accounts and 65 per cent of outstanding arrears. The outstanding balance on these accounts was €3.9 billion at end-December, equivalent to more than 13 per cent of the total outstanding balance on all BTL mortgage accounts. Consistent with the trends in PDH mortgages, BTL accounts in early arrears fell by 7.3 per cent in the fourth quarter of the year. The number of BTL accounts in arrears of less than 90 days was 8,544 (5.9 per cent of the total stock) at end-December 2013, a fall of 674 over the quarter.

Restructuring Arrangements

A total stock of 21,777 BTL mortgage accounts were categorised as restructured at end-December 2013, reflecting an increase of 0.8 per cent from the stock of restructured accounts reported at end-September 2013. Of the total stock of restructured accounts recorded at end-December, 60 per cent were not in arrears, while 76.2 per cent were meeting the terms of their restructure arrangement. A total of 6,731 new restructure arrangements were agreed during the fourth quarter of the year. Interest only arrangements of less than one year and reduced payment arrangements continued to account for the majority of restructures in place for BTL mortgages, although their share fell to 44 per cent from 51 per cent at end-September. The data on arrears and restructures indicate that of the total stock of 39,250 BTL accounts that were in arrears at end-December, 8,707 (22.2 per cent) were classified as restructured at that time.

Legal Proceedings and Repossessions

There were 494 BTL properties in the banks' possession at the beginning of Q4 2013. A total of 69 properties were taken into possession by lenders during the quarter, of which 24 were repossessed on foot of a Court Order, while the remaining 45 were voluntarily surrendered or abandoned. During the quarter 60 properties were disposed of. As a result, lenders were in possession of 503 BTL properties at end-December 2013.

Residential Mortgages issued by Non-Bank Lenders

Non-bank lenders accounted for 2 per cent of the total stock of residential mortgage accounts outstanding at end-December 2013 (2.5 per cent in value terms). A total of 9,050 mortgage accounts issued by these lenders were in arrears of more than 90 days at end-December. The outstanding balance on these accounts was just under €2 billion, equivalent to 55 per cent of the total outstanding balance on all mortgage accounts issued by non-bank lenders.

Note to editors:

The Central Bank of Ireland has produced a number of consumer guides to assist consumers who are in arrears or facing arrears, including

- Mortgage Arrears - A Consumer Guide to Dealing with your Lender;
- Mortgage Arrears - Frequently Asked Questions; and
- Guide to Completing a Standard Financial Statement.

[1] The figures published here represent the total stock of mortgage accounts in arrears of more than 90 days, as reported to the Central Bank of Ireland by mortgage lenders. They include mortgages that have been restructured and are still in arrears of more than 90 days, as well as mortgages in arrears of more than 90 days that have not been restructured. Please note that the figures for Q3 2013 include a small number of revisions.

[2] Arrears capitalisation is an arrangement whereby some or all of the outstanding arrears are added to the remaining principal balance, to be repaid over the life of the mortgage.

[3] This includes first-time restructures and further modifications of existing restructures.

[4] It should also be noted that some categories reflect only a small number of arrangements, particularly in the case of BTL accounts.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Central Bank Confirms Transfer of Howth Sutton Credit Union to Progressive Credit Union

5 March 2014

Howth Sutton Credit Union continues to operate as normal

Following an application by the Central Bank of Ireland, the High Court has today (Wednesday 5 March) approved the transfer of Howth Sutton Credit Union (HSCU) to Progressive Credit Union, which has assumed ownership and management of the assets and liabilities of the credit union. The Central Bank sought the transfer, with the support of HSCU's Board, because HSCU was no longer viable as a stand-alone entity. The transfer was undertaken to protect members' savings and ensure continued access to credit union services within the community.

The transfer has no effect on the day to day operations of HSCU and members can continue to do business as normal with the credit union from its premises. Members of HSCU do not need to take any action and are assured that their funds are protected.

All services, including savings and lending facilities continue to be available to all members from the credit union which will open as normal tomorrow. HSCU will now operate under the management of Progressive Credit Union.

The Board of HSCU has worked closely with the Central Bank, cooperating throughout the resolution process and supporting the transfer as the most appropriate solution in best interest of its members.

The Central Bank remains fully supportive of the credit union sector in Ireland and is committed to the continued development of a strong and sustainable credit union sector that meets members' changing needs and protects their savings. The Central Bank continues to work with credit unions in difficulty to resolve issues appropriately as part of our programme of work.

An information document advising members of the implications of the transfer has been published on the Central Bank website. Any member with queries can contact HSCU in the usual way on (01) 832 5163 and www.howthcu.ie.

Notes to Editor

The application by the Central Bank to the High Court for the transfer order is pursuant to Part 5 of the Central Bank and Credit Institutions (Resolution) Act 2011.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

New research on Euro Area Household Debt

5 March 2014

The Central Bank of Ireland today publishes new research by economists from the European System of Central Banks entitled "The distribution of debt across Euro Area countries: The role of individual characteristics, institutions and credit conditions"[1]

The study uses data from the new Household Finance and Consumption Survey to examine household debt patterns across the euro area. The study considers households' probability of holding debt, the amount of debt held and, in the case of mortgage debt, the interest rate paid.

The key results are as follows:

- There are marked differences in the incidence, amount and cost of debt held by comparable households across countries in the euro area.
- Age, income and education levels of household members have a significant impact on borrowing and debt holdings within countries.
- There are substantial differences in how mortgage interest rates are related to income or borrower age across countries.
- Country-level institutions help to explain differences in household debt patterns across euro area countries.

Notes to Editors:

Further information on the Household Finance and Consumption Survey is available on the European Central Bank's website: https://www.ecb.europa.eu/home/html/researcher_hfcn.en.html

[1] The survey was conducted in 15 euro area countries excluding Ireland and Estonia. These two countries will participate in the second wave.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Trends in Business Credit and Deposits: Q4 2013

5 March 2014

Credit to enterprises continued to decline in both annual and quarterly terms. Gross new lending advanced to SMEs down slightly on 2012 levels. Strong resident deposit growth continued. [1]

Summary:

- Lending to non-financial, non-property SMEs fell by 3.1 per cent during Q4 2013 and by 6.2 per cent over the year, to stand at €24.5 billion at end-2013. This compares with a decline of 5 per cent over the year to end-2012.
- Gross new lending to non-financial, non-property related SMEs amounted to €1.9 billion during 2013; this was slightly lower than the €2 billion recorded for 2012. Agriculture continues to comprise the largest share of gross new lending.
- Credit advanced to all non-financial, non-property related enterprises decreased by 2.1 per cent over the quarter, and by 5.3 per cent over the year to end-Q4, bringing the stock of credit to €36.7 billion. An annual decline of 5.3 per cent was also registered for end-Q4 2012.
- Property-related lending to all enterprises was 2.4 per cent lower over the final quarter of 2013, following a decrease of 0.8 per cent during Q3. Property-related lending to SMEs fell by 1.7 per cent during Q4 2013.
- Deposits held by non-financial Irish resident private-sector enterprises rose by €1.6 billion (4.1 per cent) during Q4 2013, to stand at €39.3 billion. There has been a strong increase in non-financial deposits in each of the past three quarters. In annual terms, deposits from non-financial enterprises grew by 9.5 per cent in the year to end-Q4 2013.

Credit Advanced to SMEs

- Irish SME's accounted for 38 per cent of all credit advanced to private sector enterprises by resident credit institutions. The outstanding amount of credit advanced to Irish SMEs was €67.6 billion at end-Q4 2013, which represented a decrease of 2 per cent over the quarter (minus 0.3 per cent in Q2). In annual terms, outstanding credit fell by 5.5 per cent at end-December.
- SME credit data includes lending to some enterprises in the financial intermediation sector, as their balance sheet size brings them into the SME category[2]. Excluding the financial intermediation sector, credit outstanding to SMEs accounted for 63 per cent of all non-financial

credit advanced (€55.9 billion) at end-December. SME non-financial credit fell by 2.3 per cent during the quarter and by 5.1 per cent over the year reflecting net repayments of €1.3 billion and €3 billion, respectively.

- Property-related lending to SMEs, which includes the construction and real estate activities sectors, constitutes the largest share of outstanding loans to non-financial SMEs, at 56 per cent (€31.4 million). Lending to SMEs in these sectors fell by a combined 4.2 per cent over the year to end-Q4, a net flow of minus €1.4 billion (i.e. repayments exceeded drawdowns[3]). Over the quarter, property-related SME lending fell by 1.7 per cent (€529 million), compared with a decline of 0.5 per cent in Q3.
- SME credit to non-property, non-financial private-sector enterprises fell by 6.2 per cent (€1.6 billion) in the year to end-Q4 2013, to stand at €24.5 billion. This represents a decline of 3.1 per cent (€771 million) over the quarter as these SMEs continued to repay more debt than was drawn down. SMEs accounted for 67 per cent of all non-financial, non-property credit.
- In terms of net lending or repayment positions; SMEs were net borrowers in four non-financial, non-property related sectors during Q4 2013. There were marginal increases in lending to water supply, sewerage, waste management and remediation activities and information and communication, while wholesale/retail trade and repairs and human health and social work showed more substantive increases of €41 million and €11 million respectively. All other sectors registered a negative flow, with the hotels and restaurants sector registering the largest non-financial, non-property decline (€264 million).
- Looking at gross new lending, a total of €629 million was drawn-down in new loans to SMEs in the non-property, non-financial sectors during Q4 2013. This refers to the drawdown of loans which were not part of the closing stock of lending for the previous quarter (excludes the restructuring or renegotiation of existing facilities). [4] This was equivalent to 2.5 per cent of the previous quarter stock of credit and represents a 7.1 per cent decline when compared with gross credit advanced in Q4 2012. The agriculture sector continued to constitute the largest share of new SME lending during the quarter (€173 million), followed by business and administrative services (€121 million).

Credit Advanced to All Irish Resident Private-Sector Enterprises

- The total amount of credit outstanding to Irish private-sector enterprises on the balance sheet of resident credit institutions was €178.7 billion at end-December 2013. Approximately 51 per cent of this amount was with respect to the financial intermediation sector, which would include holdings of debt securities issued by the NAMA Master SPV and other financial vehicle corporations. Excluding financial intermediation, the total amount of private-sector enterprise credit outstanding was €88.2 billion at end-December.

- Outstanding credit to the non-financial private-sector declined 5.9 per cent in the year to end-December 2013, equivalent to a net annual flow of minus €5.6 billion. The decline was largely driven by construction and real estate credit, which fell by 6.4 per cent (€3.5 billion) over the year.
- Excluding property-related and financial sectors, credit advanced to Irish private-sector enterprises stood at €36.7 billion at end-December, representing an annual decline of 5.3 per cent (€2.1 billion). Annual developments were driven by declines in credit advanced to the hotels and restaurants sector, which fell 11.1 per cent, the business and administrative services sector (6 per cent) and the wholesale/retail trade and repairs sector (3.3 per cent). These sectors constituted 18.4 per cent, 12.4 per cent and 22.7 per cent, respectively, of the outstanding amount of credit to non-property, non-financial enterprises at end-December.
- On a quarterly basis, non-property, non-financial loan repayments exceeded drawdowns over the three-months to end-December, resulting in a negative net lending flow of €801 million. This was mainly due to a negative net flow of €552 million in the hotels and restaurants sector over the quarter, which corresponds to a 7.6 per cent decline. Two non-financial, non-property related sectors registered a positive net lending flow during Q4 2013, namely wholesale/retail trade and repairs, and electricity, gas, steam and air conditioning supply.
- Credit advanced to the traditional sectors of manufacturing and agriculture were 0.6 per cent and 1.4 per cent lower, respectively, on an annual basis at end-December 2013; this followed an annual decline of 0.3 per cent and 2 per cent, respectively, at end-September 2013. Combined, these sectors accounted for 25 per cent of the outstanding amount of credit to non-property, non-financial enterprises at end-December 2013.

Deposits from Irish Resident Private-Sector Enterprises

- Deposits from Irish private-sector enterprises rose during Q4 2013 by €568 million (0.6 per cent). This represents the seventh consecutive quarterly rise in deposits from enterprises. In annual terms, there was an increase in deposits from Irish resident private-sector enterprises of 18.8 per cent.
- The financial intermediation sector (excluding monetary financial institutions) accounted for the majority of this annual increase, with deposits from this sector increasing €11.8 billion (26.8 per cent) over the year. This annual change was mainly driven by developments during Q1 2013, where deposits from the financial intermediation sector increased by €13 billion (30 per cent). This significant change was driven by transactions related to the liquidation of the Irish Bank Resolution Corporation (IBRC), whose liability to the Central Bank of Ireland was

replaced by a liability to the National Asset Management Agency (NAMA), classified as an overnight deposit.

- Excluding financial intermediation, deposits from private-sector enterprises increased by 9.5 per cent (€3.4 billion) in the year to end-Q4, to stand at €39.3 billion. On a quarterly basis, deposits from these sectors increased by 4.1 per cent (€1.6 billion), representing the third consecutive quarterly rise.
- Deposits from seven of the fifteen non-financial sectors increased in Q4 2013, with the largest increase from enterprises engaged in wholesale/retail trade and repairs (€637 million), followed by enterprises engaged in information and communication (€443 million). The largest decrease in deposits during the quarter was in the human health and social work sector (€84 million).

[1] The extensive set of Business Credit and Deposits Statistics tables, along with a detailed set of explanatory notes are available here. Recent data are often provisional and may be subject to revision. A list of credit institutions resident in the Republic of Ireland (i.e. the population covered by these statistics) is available here.

[2] SMEs are defined as enterprises with fewer than 250 employees and whose annual turnover does not exceed €50 million and/or whose annual balance sheet does not exceed €43 million. This is the standard EU definition of an SME.

[3] Drawdowns include any funds advanced to the customer during the quarter that were not part of the outstanding amount of credit advanced at the end of the previous quarter.

[4] New sanctions or agreements relating to restructuring may be higher than the amounts of new facilities drawn-down by customers in a given period. Gross new lending would include, however, funds drawn-down following a restructuring or renegotiation of an existing facility that were not included in credit advanced at the end of the previous quarter.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Settlement Agreement between the Central Bank of Ireland and Ava Capital Markets Limited

6 March 2014

The Central Bank of Ireland (the "**Central Bank**") has entered into a Settlement Agreement with effect from 4 March 2014 with Ava Capital Markets Limited (the "Firm"), a regulated financial services provider, in relation to contraventions of the European Communities (Markets in Financial Instruments) Regulations 2007 (S.I. 60 of 2007) (the "**MiFID Regulations**").

Reprimand and fine

The Central Bank reprimanded the Firm and required it to pay a monetary penalty of €165,000.

Contraventions

The contraventions of the MiFID Regulations, which occurred during the period between 1 February 2010 and 31 December 2011 (the "Relevant Period"), were as follows:

- The Firm executed 523,389 transactions during the Relevant Period and, in breach of Regulation 112(3)(b) and (c), failed to report details of these transactions to the Central Bank by the close of the following working day or reported incorrect details of those transactions.
- In breach of Regulation 33(1)(a), the Firm failed to establish adequate policies and procedures sufficient to ensure compliance with the Firm's obligations under the MiFID Regulations, specifically its transaction reporting obligations.
- In breach of Regulation 33(1)(f), the Firm failed to ensure that it had in place and used effective control and safeguard arrangements for its information processing systems, relating to transaction reporting.
- In breach of Regulation 105(2), the Firm failed to exercise due skill, care and diligence when entering into and/or managing an arrangement for the outsourcing of operational functions relating to transaction reporting to an external service provider.
- In breach of Regulation 33(1)(e), the Firm failed to ensure that any outsourcing by the Firm of transaction reporting functions was not undertaken in such a way as to impair the quality of the Firm's internal

control or the Central Bank's ability to monitor the Firm's compliance with its transaction reporting obligations.

Background

In 2011 the Central Bank identified a number of issues with transaction reports submitted by the Firm. As a result of this, the Firm conducted a historical analysis of its transaction reports, and in January 2012 the Firm notified the Central Bank that a considerable number of transaction reporting failures had been discovered.

From July 2009 to July 2011, the Firm relied on a transaction reporting system the development of which had been outsourced to an external service provider. The transaction reporting failures have now been rectified by the Firm. The Firm's internal IT department has redeveloped the Firm's transaction reporting system and the Firm no longer outsources this function.

Penalty decision factors

The penalties imposed in this case reflect the importance the Central Bank places on accurate and timely reporting of all regulatory information. In this case, the information comprised transactions in financial instruments under the MiFID Regulations.

In deciding the appropriate penalties to impose, the Central Bank has taken the following into account:

- the seriousness with which the Central Bank views any contravention of the MiFID Regulations;
- the number of transactions concerned;
- that the Firm has taken appropriate remedial steps to rectify the contraventions and causes thereof; and
- the cooperation of the Firm during the investigation and in settling at an early stage in the administrative sanctions procedure.

The Central Bank confirms that the matter is now closed.

The Central Bank of Ireland also issued a general comment from Director of Enforcement, Derville Rowland:

"Since 2010, this is the sixth settlement concluded by the Central Bank with a firm for transaction reporting failures. In light of the public statements made and enforcement actions taken by the Central Bank, firms should be aware of

the importance of compliance with obligations regarding accurate and timely transaction reporting and should take positive action to ensure these obligations are being met.

"The Central Bank is tasked with the statutory objective of ensuring the proper and effective regulation of financial service providers and the markets. Failures by regulated entities to submit information to the Central Bank in a timely and accurate manner is an unacceptable risk to the Central Bank. It undermines the Central Bank's ability to supervise financial service providers and markets, directly affecting the Central Bank's ability to properly regulate financial service providers and preventing it from fulfilling one of its key statutory objectives.

"The Central Bank views the existence and proper functioning of a firm's policies, procedures, systems and controls as being fundamental to ensuring its compliance with its regulatory requirements. The existence of inadequate policies, procedures, systems and controls is an unacceptable risk to the Central Bank as it can be the basis for, and potentially leads to, large scale non-compliance with regulatory requirements.

"In circumstances where firms outsource important operational functions to external service providers, the Central Bank expects firms to exercise due skill and care when entering into and/or managing those outsourcing arrangements and to ensure that the outsourcing is not undertaken in such a way as to impair the quality of the internal control by firms of those functions, or the Central Bank's ability to monitor compliance by firms with their obligations.

"The pursuit of enforcement actions in respect of the accuracy of information submitted to the Central Bank and systems and controls failings have been two of the Central Bank's Enforcement Priorities since 2011 and, for that reason, where breaches occur in these areas, regulated entities and their management should expect vigorous investigation and follow up by the Central Bank."

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Trends in Personal Credit and Deposits: Q4 2013

6 March 2014

Summary [1]

- Total credit to Irish private households outstanding on the balance sheet of resident credit institutions was €98.7 billion at end-December 2013, representing a quarterly decline of 0.9 per cent and an annual decline of 4 per cent.
- The total amount of loans outstanding for house purchase, including loans that have been securitised and continue to be serviced by resident credit institutions, stood at €122.6 billion at end-December 2013, down from €123.7 billion in Q3.
- The total deposits held in resident credit institutions by Irish private households were €85.8 billion at end-Q4 2013, representing an annual decrease of 1.1 per cent.

Credit Advanced to Private Households – Loans for House Purchase

The analysis below relates to on-balance sheet lending, unless otherwise indicated.

- The annual rate of change in loans for house purchase was minus 3 per cent at end-December 2013, following a decline of 2.4 per cent in Q3. There was a quarterly decline of 0.8 per cent, which represents the sixteenth consecutive quarterly decline. The outstanding amount of on-balance sheet loans for house purchase stood at €83.3 billion at end-December. A further €39.3 billion of securitised mortgages, which continue to be serviced by resident credit institutions, are also outstanding.
- Floating rate mortgages, which include standard variable rate, tracker rate, and mortgages with a fixed rate up to one year[3], accounted for 93 per cent of the outstanding amount of loans for house purchase at end-December 2013 – a decline of €489 million over the quarter. Tracker mortgages alone accounted for 50 per cent of outstanding house purchase loans and recorded a €937 million decrease in Q4. Standard variable rate mortgages increased by €477 million during Q4, and accounted for 42 per cent of outstanding house purchase loans at end-December.
- Fixed rate mortgages accounted for 7 per cent of the outstanding amount of loans for house purchase at end-December 2013, following a net decline of €217 million during the quarter. The quarter-on-quarter

decline was mainly driven by the over three and up to five year fixed rate category which registered a net decline of €142 million.

- Loans for principal dwellings, which accounted for 75 per cent of loans for house purchase at end-December, fell by €264 million over the quarter. This reflected a fall of €199 million in fixed rate mortgages and a fall of €64 million in floating rate mortgages. The annual rate of decline in loans for principal dwellings was 2.2 per cent in Q4 2013, which follows a decline of 1.9 per cent in Q3.
- Standard variable mortgages on principal dwellings increased by €559 million during Q4, while tracker mortgages, and mortgages fixed for up to one year fell by €595 million and €29 million, respectively. Floating rate mortgages accounted for 92 per cent of the on-balance sheet outstanding amount of loans for principal dwellings at end-December. Of these floating rate loans 50 per cent were tracker mortgages, 48 per cent were standard variable and 2 per cent were up to one year fixed. For securitised mortgage pools, the share of floating rate mortgages for principal dwellings was slightly higher at 96 per cent (Chart 3).
- The outstanding amount of loans for buy-to-let residential properties (representing 24 per cent of loans for house purchase) fell by €383 million to stand at €19.6 billion at end-December. This decline reflected a fall of €366 million in floating rate mortgages, the majority of which was seen in the tracker mortgage category. Floating rate mortgages accounted for 96 per cent of the outstanding amount of loans for buy-to-let properties at end-Q4. These floating rate loans were composed of 64 per cent tracker mortgages and 36 per cent standard variable mortgages. There was an annual decline of 5.1 per cent in loans for buy-to-let residential properties at end-Q4.
- Loans for holiday homes/second homes accounted for 1 per cent of loans for house purchase at end-December 2013. Floating rate mortgages accounted for 95 per cent of the outstanding amount of loans for holiday homes/second homes at end-December. Of these floating rate loans 57 per cent were tracker mortgages and 43 per cent were standard variable mortgages. The annual decline in loans for holiday homes/second homes was 12.2 per cent at end-December 2013.

Credit Advanced to Private Households – Other lending

- Non-housing related lending, or ‘other personal’ lending, accounted for 16 per cent (€15.4 billion) of total on-balance sheet credit advanced to Irish private households by resident credit institutions at end-December 2013.
- Lending in this category fell by 8.8 per cent in the year to end-December. This followed an annual decrease of 10.8 per cent at end-September 2013.
- Non-housing related lending to private households peaked in Q1 2009 at €28.9 billion. By end-December 2013 it had declined by 31.6 per cent from that peak to €15.4 billion.

- Non-housing related lending to private households declined by €189 million during Q4 2013 (1.2 per cent). This reflected a decline in both finance for investment purposes, and finance for other non-housing related purposes of €32 million and €157 million, respectively.
- The deposits held in resident credit institutions by Irish private households stood at €85.8 billion at end-December 2013. This represents a decrease of €231 million (0.3 per cent) during the quarter.
- The outstanding amount of personal deposits was 1.1 per cent lower on an annual basis at end-December 2013; the year-on-year decline at end-September 2013 was also 1.1 per cent.
- The net flow of personal deposits in the year ending December 2013 was minus €988 million.

[1] The extensive set of Private Households Credit and Deposits Statistics tables, along with a detailed set of explanatory notes are available here. Recent data are often provisional and may be subject to revision.

[2] Chart relates to on-balance sheet lending.

[3] Loans with interest rates fixed for a period up to one year are included with floating rate loans in line with international practice.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

New Research on Salary Trends for New Graduates

6 March 2014

The Central Bank of Ireland today publishes a new Economic Letter ‘On the Slide? Salary Scales for New Graduates 2004-2012’ (Economic Letter No. 1).

The research, based on data from the Higher Education Authority, examines trends in starting salaries for new graduate labour market entrants before, during and after the economic downturn.

The key results of the research are as follows:

- Average salaries for new graduates increased by 11.8 per cent from 2004 to 2007 but decreased by 11.7 per cent from 2007 to 2012.
- The decline in graduate salaries during the recession has not been uniform across faculties. Architecture and Arts, Humanities & Social Science, suffered above average reductions in starting salaries during the recession.
- Graduates in employment overseas increased from 4 per cent in 2007 to 10 per cent in 2012.
- With recent employment gains concentrated among third level graduates, the decline in graduate salaries is likely exerting some downward pressure on aggregate wages in the economy.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Central Bank Reports on the Payment Protection Insurance Review

7 March 2014

The Central Bank of Ireland today (7 March 2014) reports on the review into the sales of Payment Protection Insurance (PPI) by eleven credit institutions.

Inspections by the Central Bank in 2011 raised concerns that credit institutions had not complied with the Consumer Protection Code (the Code) during the PPI sales process and therefore the eleven credit institutions were instructed to review their sales of PPI for compliance with the Code.

€67.4 million (including interest of €4.9 million) is being refunded to circa 77,000 policyholders who were sold PPI since 1 July 2007. This represents 22% of the PPI sales included in this review. Refunds are paid in cases where credit institutions did not comply with the Code when selling PPI or could not demonstrate compliance with the Code.

The aim of the review was to provide a straight-forward mechanism for consumers to be redressed where credit institutions could not demonstrate that policies were sold in compliance with the Code, without any cost to consumers or requirement on consumers to make a complaint. The review of each credit institution was overseen by independent third parties and monitored by the Central Bank.

Director of Consumer Protection, Bernard Sheridan said: "The Code contains important protections for consumers and consumers need to be confident that regulated entities comply with the Code in their dealings with them. Firms selling any financial products must ensure they properly assess the needs of consumers and provide products which meet those needs. This applies equally to add-on or linked products, such as PPI, and firms must ensure that these products are suitable for the consumer and that the consumer is fully informed.

"This review has resulted in €67 million being identified for refund to 77,000 policyholders. Some payments have not yet been made as approximately 6,000 of those policyholders have not responded to letters issued to them by their credit institution. The Central Bank strongly encourages consumers to act on the letters they have received from their credit institutions."

The Central Bank has issued a summary report on the review explaining both the scope and results of the review.

Notes to editors:

- The eleven credit institutions who took part in the Review are Allied Irish Banks plc, Bank of Ireland, Bank of Scotland Ireland Limited, Danske

Bank, EBS Limited, GE Capital Woodchester Limited, KBC Bank Ireland plc, MBNA Europe Bank Limited, permanent tsb plc, RaboDirect Ireland and Ulster Bank Ireland Limited.

- The findings of the 2011 inspection were released on the 2 July 2012.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Generation €uro Students' Award National Winners Announced

10 March 2014

The Central Bank of Ireland today (10 March 2014) announced the National Winners of the Generation €uro Students' Award for 2014, a competition for transition year students aimed at encouraging an awareness of economics and monetary policy decision making.

Transition year students from Gonzaga College S.J. in Dublin will represent Ireland at the European Central Bank in April where they will meet President Mario Draghi and the winning teams from across the euro area to take part in a series of workshops and events. The team captain was Kilian Prendergast and he was joined by fellow students Andrew Kilgallen, Philip Mulvey and Mark Mulreany. The team was mentored by their teacher, John O'Connor.

Teams from Marian College in Dublin and Tullamore College in Co. Offaly were announced as joint runners-up in the competition.

The competition challenges students across Ireland to take on the role of the Governing Council of the European Central Bank to determine the interest rate for the euro area, and comprises three rounds which take place over the course of the academic year.

Speaking at the National Final, Deputy Governor Stefan Gerlach said: 'The Generation €uro Students' Award was introduced in 2011 to promote an awareness in schools of the important functions performed by the Central Bank of Ireland, the European Central Bank and the Eurosystem as a whole and I am delighted to welcome the next generation of young economists to the Central Bank today. Congratulations to this year's winners from Gonzaga College.'

The panel members for the National Final were Stefan Gerlach, Deputy Governor, Central Banking; Maurice McGuire, Director of Financial Operations; Gillian Phelan, Head of Monetary Policy and Margaret McDonnell of the Business Studies Teachers' Association of Ireland.

ENDS

Further information: Press Office (01) 224 6299
Photography issued to picture desks and available from Jason Clarke
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Notes for Editors

The Generation €uro Students' Award is a euro area-wide initiative organised by the European Central Bank (ECB) and participating national central banks across the euro area including the Central Bank of Ireland.

The competition consists of three rounds including an online quiz, a group essay and a presentation by three finalist teams to a senior panel at the Central Bank of Ireland.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Central Bank of Ireland Issues Warning on Unauthorised Investment Firm

11 March 2014

The Central Bank of Ireland (Central Bank) today (11 March 2014) published the name of an unauthorised investment firm, **Token Financial (USA). Token Financial (USA)** is not authorised as an investment firm by the Central Bank.

It is a criminal offence for an unauthorised firm to provide financial services in Ireland that would require an authorisation under the relevant legislation for which the Central Bank is the responsible body for enforcing. Consumers should be aware that, if they deal with a firm which is not authorised, they are not eligible for compensation from the Investor Compensation Scheme.

Any person wishing to contact the Central Bank of Ireland with information regarding such firms may telephone (01) 224 4000. This line is also available to the public to check if a firm is authorised. Since obtaining the necessary legal powers in August 1998, the names of 222 unauthorised firms have been published by the Central Bank.

ENDS

Media queries: Press Office: (0)1 224 6299

Notes to editors

The name of the above firm is published under the Central Bank (Supervision and Enforcement) Act 2013.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Central Bank publishes new research on household deleveraging in Ireland

11 March 2014

The Central Bank today publishes new research entitled 'Deleveraging in a highly indebted property market: Who does it and are there implications for household consumption?'

This study examines the extent to which mortgaged Irish households are deleveraging. Specifically, the work focusses on households that are making overpayments to clear their debt more quickly or using savings to supplement their payments.

The key results of the research are as follows:

- Deleveraging is most prevalent among older, more affluent or better educated households.
- Households which expect a negative change in their financial circumstances tend to reduce their deleveraging
- Deleveraging has negative implications for household consumption.

Further information: Press Office: (01) 224 6299

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Statistics on Securities Issues of Irish Resident Entities: January 2014

12 March 2014

Trends in Market-based Financing of all Irish-resident Entities

- The outstanding amount of debt securities issued by Irish firms, and by the Government sector was €883 billion at end-January 2014, a decrease of 2 per cent year-on-year. The outstanding amount of debt securities issued by euro area residents decreased by approximately 0.5 per cent.
- The outstanding amount of long-term Government debt securities stood at just over €112 billion, an increase of 24 per cent year-on-year.
- Market-based debt financing for the banking sector stood at €71.5 billion in January 2014, a decrease of 16 per cent year-on-year.
- Equity shares had an outstanding value of almost €279.2 billion at end-January. Quoted shares (€278.9 billion), which are predominant in the equity category, saw a year-on-year increase of 29 per cent. The value of the stock of quoted shares issued by euro area residents increased by approximately 18 per cent.

Government Debt Issuance

Long-term Government debt securities[1] stood at approximately €112.1 billion in January 2014, an increase of 24 per cent when compared with January 2013 (€90.4 billion).

Approximately €14.3 billion (or 13 per cent) of the euro-denominated long-term debt will fall due over the next 3 years (see Table 1). The average maturity profile of this debt has changed on foot of the issuance of a new 10-year benchmark bond in January.

Holdings of Government Bonds

At end-January 2014, Irish resident investors held 46 per cent of long-term Irish Government bonds compared with 28 per cent in January 2013. The Irish banking sector, including the Central Bank of Ireland, was primarily responsible for this increase reflecting the re-structuring of the Promissory Notes with bonds in 2013.

Approximately 21 per cent of all resident holdings will mature within the next 5 years. Furthermore, 15 per cent (or €9.4 billion) of long-term bonds held by non-resident investors will mature after 2025.

Banking Sector

Market-based debt financing for the banking sector increased by approximately €2.5 billion in January 2014, compared to net redemptions of €2.8 billion in the preceding month. This increase primarily reflected net issuance of short-term debt securities.

Approximately €20.7 billion (or 29 per cent) of the total debt securities issued by the banking sector will fall due within the next 12 months.

Since January 2013, the outstanding amount of debt securities for this sector has decreased by 16 per cent to €71.5 billion with short-term debt contracting by 38 per cent (Chart 1 and 2). Over the past 12 months, the total outstanding amount of debt securities for this sector across the euro area decreased by approximately 8 per cent.

The market value of equity securities in the banking sector saw a year-on year increase of 32 per cent[2] to €21.8 billion (Chart 3). This increase is primarily as a result of valuation changes.

Non-Financial Corporations

The outstanding amount of debt securities issued by non-financial corporations (NFC) increased by 1 per cent to almost €7 billion in January 2014 (Table 3)[3].

Approximately €272 million (or 4 per cent) of the total debt securities issued by NFCs will fall due within the next 12 months.

In January 2014, the value of the quoted shares issued by the NFC sector increased by 2 per cent to €239.2 billion. This represented a year-on-year increase of 29 per cent (Chart 4). The annual percentage change in market capitalisation for NFCs in the euro area was approximately 15 per cent.

Notes:

The statistics are based on Irish resident sectors issuances of securities where an ISIN[4] code is assigned, irrespective of the market of issue or listing. Non-ISIN information is also provided for monetary financial institutions.

- Debt securities are broken down according to their original maturity and coupon type. Equity securities are classified into quoted and unquoted securities excluding investment fund shares/units.
- The difference between month-on-month equity stocks reflects valuation changes transactions in addition to transactions and other adjustments, for example, reclassifications and corrections.

- The data reflect revisions arising from data quality management activities performed by the Bank, which contribute to improvements in the data.
- Euro area figures are sourced from the ECB's Euro Area Securities Issues Statistics monthly publication.

[1] Refers to debt securities in all currencies (but principally includes euro-denominated debt)

[2] As per compilation methodology utilised by the Central Bank of Ireland

[3] The Amount Outstanding increased in November 2013 on foot of the acquisition of an Irish NFC and the incorporation of the new entity in Ireland.

[4] An ISIN code is a unique identifier assigned to an individual security.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

National Payments Plan Announces Results of Wexford Rounding Trial

14 March 2014

The National Payments Plan (NPP) today (14 March 2014) announced the results of the Wexford Rounding Trial of 1c and 2c coins. The Trial was run from 16 September to 17 November 2013 with the aim of reducing the need for 1c and 2c coins, and showed strong support for rounding from both consumers and retailers.

The Trial was conducted following market research that showed consumers and retailers do not like these coins.

NPP Programme Manager, Ronnie O'Toole, said: 'The results of the Trial were clear. The answer from Wexford was a resounding 'yes'. When 'don't knows' are excluded, 85% of consumers and 100% of retailers surveyed believe rounding should be applied nationally.'

During the Trial retailers rounded cash transactions to the nearest 5 cent at the cash register, removing the need for 1c and 2c coins in change. Five EU Member States have already adopted a symmetrical rounding policy; The Netherlands, Sweden, Finland, Denmark and Hungary, while Belgium is currently in the process of adopting it.

One of the concerns consumers had before the Trial was that retailers would round up the price of goods; however, a mystery shopping exercise showed that rounding had no inflationary effect. Ronnie O'Toole added: 'We expected that the Trial wouldn't result in price rises. Rounding only applies to total bills, not to the prices of individual goods. Quite simply, the price of almost all goods tracked over the nine weeks of the Trial remained unchanged."

The Central Bank mints many more of these small denomination coins than other coins, but they go out of circulation quickly because of stockpiling and shops constantly need fresh supplies for change. While the direct average cost of producing these coins exceeds their face value, with a 1c coin costing approximately1.3c to mint, there are significant other economic costs associated with the transport and storage of these coins in the economy.

Chairman of the NPP, Tony Grimes, said: 'On the basis of the successful Trial, the NPP Steering Committee has now recommended to the Minister of Finance that symmetrical rounding is rolled out nationally, and that it is run on a voluntary basis for both consumers and retailers. This report can help inform the Minister's decision on a national rollout.'

A national rollout would require a widespread communications and education plan aimed at both consumers and retailers, and a sufficient lead-in time to make sure that retailers have an adequate time to prepare. In the event of a national rollout the 1c and 2c coins would retain their status as legal tender.

ENDS

Further information: Press Office (01) 224 6299

Notes to Editor

1. Rounding

Participation in the Rounding Trial was voluntary. Rounding only applied:

- to cash transactions (not to credit card, electronic or cheque payments), and
- to the total transaction bill (not to individual goods).

The bill can be rounded up or down, as follows:

1. a transaction costing €10.21 or €10.22 would be rounded to €10.20
2. a transaction costing €10.23 or €10.24 would be rounded to €10.25
3. a transaction costing €10.26 or €10.27 would be rounded to €10.25
4. a transaction costing €10.28 or €10.29 would be rounded to €10.30

Two individual items priced at €10.99 and €3.49 respectively would remain at these prices, though the total bill (€14.48) would be rounded up to €14.50.

Three individual items priced at €2.99, €4.49 and €8.17 respectively would remain at these prices, though the total bill (€15.61) would be rounded down to €15.60

2. National Payments Plan Steering Committee

In June 2011 the Minister for Finance, Michael Noonan, asked the Central Bank to take a lead role in preparing a National Payments Plan. To this end, the Central Bank formed a Steering Committee to oversee the development and implementation of the National Payments Plan consisting of the following people and organisations:

- Tony Grimes (Chairman)
- Department of Finance
- Department of Social Protection
- National Consumer Agency
- IBEC

- Central Bank of Ireland
- RGDATA
- Irish Payment Services Organisation
- AIB
- Bank of Ireland
- ESB
- Paypal
- Revenue Commissioners

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Retail Interest Rate Statistics: January 2014

14 March 2014

Key Developments:

- The interest rate on new loans to households for house purchase, with either a floating rate or short term rate fixation, fell to 3.01 per cent in January 2014. Rates on outstanding loans for house purchase fell by one basis point from the previous month to stand at 2.79 per cent.
- The weighted average interest rate on total outstanding household term deposits continued to decline to 2.13 per cent at end-January; this series has been in constant decline since May 2012. Over the past number of months there has been evidence of movement in household deposits from medium-term categories towards the overnight category, highlighting the low deposit rates currently on offer across all maturities.
- New business rates for non-financial corporation (NFC) loans of less than €1 million[1] increased by 37 basis points in the month. These rates continued to be volatile due to the low volumes of new business.
- The weighted average interest rate on outstanding NFC term deposits decreased by 6 basis points to 1.44 per cent at end-January; the rate offered on new NFC term deposits is considerably lower, falling by 5 basis points over the month to 0.43 per cent.

Households

Loans to Households

The interest rate on **new loan agreements to households for house purchase**, with either a floating rate or initial rate fixation of up to one year, was 3.01 per cent at end-January 2014. This represents a 24 basis point decrease from the end-December rate. The corresponding end-January interest rate for the euro area was 21 basis points lower at 2.8 per cent.

Floating rate loans accounted for 84 per cent of all new mortgage business in the domestic market over the past year. In contrast, floating rate loans in the euro area accounted for 27 per cent of new mortgage business over the past year.

The weighted average interest rate on **outstanding loans to households for house purchase** remained relatively constant over the month, standing at 2.79 per cent at end-January 2014. The corresponding end-January interest rate for the euro area was higher, at 3.31 per cent. Interest rates on outstanding mortgages in Ireland have typically reflected movements in the ECB's main refinancing rate (MRO), due to the higher proportion of tracker and other variable rate mortgage products in the domestic market (Chart 1). This is illustrated by a 15 basis point fall in Irish rates compared with a four basis point fall in Euro Area rates since the ECB cut its MRO rate in November.

The weighted average interest rate on **new loans to households for non-housing purposes** fell by 79 basis points over the month, to stand at 6.26 per cent. It should be noted that new business volumes for this instrument category have been particularly low in recent years, resulting in a volatile interest rate series.

The weighted average interest rate on **outstanding amounts of non-housing related loans** was 6.48 per cent in January 2014, representing a 5 basis point decrease over the month and an 85 basis point rise since January 2013. This year-on-year increase was mainly driven by short-term loans for consumption and other purposes which have an agreed maturity of up to 1 year. The corresponding rate for all non-housing loans in the euro area was lower at 5.54 per cent in January 2014.

Deposits from Households

Interest rates on **new household term deposits** stood at 0.75 per cent at end-January 2014, representing a 9 basis point decrease over the month. The year-on-year change in this category was a 54 basis point decrease. However, caution is warranted in the interpretation of new deposit business, as volumes also include existing deposit agreements renegotiated during the month.

The weighted average interest rate on total **outstanding household term deposits** continued to fall in January to 2.13 per cent, representing a 140 basis point drop since their last increase in April 2012. Developments have been mainly driven by declining rates in medium-term deposits (agreed maturity up to two years). Over the past number of months there has been a discernible movement of deposits from the medium-term category towards the overnight category, highlighting the low interest rates currently on offer. At end-January 2014, interest rates on redeemable at notice products stood at 1.08 per cent, having remained broadly stable since mid-2013.

Non-Financial Corporations (NFCs)

Loans to NFCs

The weighted average interest rate on **new loan agreements to NFCs** up to €1 million (often used as a proxy for SME lending), increased by 37 basis points over the month to 4.77 per cent at end-January. The corresponding interest rate charged by euro area credit institutions for January was 96 basis points lower at 3.81 per cent.

In terms of new business NFC loans above €1 million, the weighted average interest rate decreased by 29 basis points to 2.86 per cent at end-January. New business volumes in these instrument categories are particularly low, resulting in pronounced month-on-month volatility. The equivalent euro area interest rate showed a four basis point fall over the month to 2.31 per cent.

The weighted average interest rate on **outstanding loans to NFCs** issued by Irish-resident credit institutions fell by one basis point to 3.03 per cent at end-January 2014 (Chart 2). Interest rates in this category have remained relatively stable over the past year showing a twelve-month average of 3.02 per cent. The equivalent euro area weighted average interest rate at end-January was 3.29 per cent.

Deposits from NFCs

The interest rate on new **NFC term deposits** was 0.43 per cent at end-January 2014, representing a fall of 38 basis points since January 2013. The equivalent rate offered by euro area credit institutions was higher at 0.77 per cent at end-January 2014.

The weighted average interest rate on **outstanding NFC term deposits** declined by 6 basis points during January 2014 to 1.44 per cent. This represents a fall of 90 basis points since January 2013. Annual developments were driven by deposits with agreed maturity of up to two years, which accounted for 95 per cent of all NFC term deposits over the year.

Note to Editors:

Retail Interest Rate Statistics cover all euro-denominated lending to, and deposits from, households and non-financial corporations (NFCs) in the euro area by credit institutions resident in Ireland. Interest rates on outstanding amounts cover all loans and deposits outstanding on the last working day of the month, while interest rates applicable to new business volumes cover all new loan and deposit business agreed during the month.

For retail interest rate statistics purposes, new business is defined as any new agreement between the customer and the credit institution. This agreement covers all financial contracts that specify, for the first time, the interest rate of the deposit or loan, including any renegotiation of existing deposits and loans. Automatic renewals of existing contracts, which occur without any involvement by the customer, are not included in new business. New business volumes have been exceptionally low in various instrument categories during the last number of months. Low volumes of this nature can result in increased volatility within the interest rate series.

[1] The weighted average interest rate on new loans to NFCs, up to €1 million, is often taken as a proxy for the prevailing rate applicable to SME lending.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Settlement Agreement between the Central Bank of Ireland and UniCredit Bank Ireland p.l.c.

18 March 2014

The Central Bank of Ireland (the "**Central Bank**") has entered into a Settlement Agreement with effect from 13 March 2014 with UniCredit Bank Ireland p.l.c. (the "**Firm**"), a regulated financial services provider, in relation to prescribed contraventions of the European Communities (Capital Adequacy of Credit Institutions) Regulations 2006 (S.I. 661/2006) (as amended) ("**the 2006 Regulations**") and of the European Communities (Licensing and Supervision of Credit Institutions) Regulations 1992 (S.I. 395/1992) ("**the 1992 Regulations**").

Reprimand and fine

The Central Bank reprimanded the Firm and required it to pay a monetary penalty of €315,000.

Contraventions

Four contraventions in total were identified:

1. On the reporting dates 31 December 2011, 31 March 2012 and 30 June 2012, in breach of the 2006 Regulations, the Firm had an exposure to non-Euro denominated sovereign Italian bonds in excess of the permitted limits;

2. On the reporting dates 31 March 2012 and 30 June 2012, in breach of the 2006 Regulations, the Firm had an exposure to non-Euro denominated sovereign Spanish bonds in excess of the permitted limits;

3. For certain dates in November 2012 and December 2012, in breach of the 2006 Regulations, the Firm had an exposure to a single client which was in excess of the permitted limits; and

4. The single-client exposure complained of occurred because the Firm, in breach of Regulation 16(3) of the 1992 Regulations, failed to have effective processes and adequate internal control mechanisms in place to ensure the limits imposed by the 2006 Regulations were adhered to.

Large Exposure Requirements

The large exposure requirements in the 2006 Regulations are imposed on credit institutions to limit the level of exposure which an institution may have to any one person or entity, or group of connected persons/entities, and so to contain the loss an institution may experience in the event of counterparty failure.

Credit institutions submit large exposure returns to the Central Bank setting out details of the level of their large exposures against these limits.

Background to the Contraventions

Contraventions 1 and 2

In October 2011, following a three notch simultaneous ratings downgrade of the Republic of Italy, the Firm immediately notified the Central Bank that it had an exposure to non-Euro denominated sovereign Italian bonds in excess of the permitted large exposure limits. In January 2012, following a two notch simultaneous ratings downgrade of the Kingdom of Spain, the Firm immediately notified the Central Bank that it had an exposure to non-Euro denominated sovereign Spanish bonds in excess of the permitted large exposure limits. These downgrades led to the non-Euro denominated sovereign assets being reclassified for the purpose of large exposure requirements. Prior to the downgrades, each of these assets had a risk weighting of 0% but following the downgrades the risk weighting moved immediately to 100%. Following notification to the Central Bank, a remediation proposal was made which was ultimately approved.

Contravention 3 and 4

In January 2013, the Firm notified the Central Bank that its exposure to one of its clients had also exceeded the permitted large exposure limits for certain dates in November 2012 and December 2012. This occurred as a result of an increase in the Firm's exposure to this client and the failure by the Firm to monitor at all times its total exposure to this client for large exposure purposes.

Penalty decision factors

The penalties imposed in this case reflect the importance the Central Bank places on compliance with the large exposure limits and having adequate internal controls in place to ensure that at all times a firm is in compliance with the large exposure limits.

In deciding the appropriate penalty to impose, the Central Bank has taken the following into account:

- the importance of monitoring (on an ongoing basis) and limiting the size of large exposures;
- the failure to have in place at all times adequate internal controls to ensure adherence to the large exposure requirements undermines the ability of the Central Bank to supervise the level of risk to which a firm is subject;

- the Firm notified the Central Bank immediately of the breaches and took appropriate remedial steps in consultation with the Central Bank, to rectify the breaches;
- the market disturbance which resulted in the downgrades of Italy and Spain's sovereign bonds;
- the Firm has introduced enhanced procedures and controls to improve its monitoring of large exposures; and
- the cooperation of the Firm during the investigation and in settling at an early stage in the administrative sanctions procedure.

The Central Bank confirms that the matter is now closed.

The Central Bank of Ireland also issued a general comment from Director of Enforcement, Derville Rowland:

"This is the first settlement by the Central Bank with a firm for breaches of the large exposure limits and the failure to have in place proper internal controls around large exposures.

The purpose of the large exposure requirements is to limit the level of exposure which a firm has to an individual or entity or to a group of connected individuals or entities so that if that individual or entity was in difficulty this would not have a significant impact on the firm. The Central Bank is tasked with monitoring the level of large exposures which a firm has and their compliance with large exposure limits to ensure that firms are not exposed to significant levels of risk as a result of such exposures.

The failure by regulated financial services providers to ensure that they comply with large exposure limits at all times is viewed as a serious matter by the Central Bank given the potential risks to a firm's stability in the event of an individual or an entity falling into financial difficulty.

Regulated institutions must have effective processes in place to identify, manage and monitor the level of risk they are exposed to, and proper and effective systems and controls in place to ensure compliance with large exposure limits. Where the Central Bank finds evidence of failures in these areas the Central Bank will continue to use its range of regulatory tools including enforcement."

ENDS

Further information: Press Office: +353 (0)1 2246299

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Irish Locational Banking Statistics: Q4 2013

19 March 2014

Total External Position[1]

- Total external assets of banks resident in Ireland stood at €369 billion at the end of the fourth quarter, a decrease of approximately 18 per cent since the fourth quarter of 2012.
- Total external liabilities of resident banks as at the end of the fourth quarter stood at €354 billion, down 15 per cent from the previous year.
- In the fourth quarter of 2013, banking offices resident in Ireland reported a total operating income of €2.9 billion, an increase of 5 per cent since the fourth quarter of 2012. Since Q4 2012, account fees and charges have increased by 17 per cent to €114 million.

Total External Assets

Total external assets of banks resident in Ireland stood at €369 billion at the end of the fourth quarter, a decrease of approximately 18 per cent since Q4 2012. Total external positions have been decreasing since the onset of the financial crisis as banks have sought to reduce their balance sheet. The decrease in the number of banks resident in Ireland has also contributed to the fall.

Domestic market[2] banks accounted for €115.2 billion of total external assets. For domestic market banks, the banking counterparty sector accounted for the largest decline during the year, down over €15 billion.

Approximately €137 billion, or 37 per cent, of total external assets were vis-à-vis the UK. Italy remained the second largest counterparty country representing 12 per cent of total external assets.

Total external loans and deposits (assets) stood at €220 billion at the end of Q4, a decrease of 15 per cent over the year. IFSC banks accounted for 63 per cent of external loans.

Debt securities (assets) stood at €110.5 billion at the end of the fourth quarter, a reduction of 16 per cent since Q4 2012. IFSC banks account for 79 per cent of debt securities holdings (assets). The government sector was the largest counterparty for IFSC banks accounting for 33 per cent of their debt securities.

Total External liabilities

Total external liabilities of resident banks at the end of Q4 stood at €354.8 billion, down 15 per cent from the previous year. Domestic market banks accounted for €105.3 billion of total external liabilities. For domestic market banks the largest fall in external funding came from banking counterparties, falling by €7.6 billion since end- 2012.

Similar to total external assets, the top country for external funding was the UK, accounting for 40 per cent of outstanding liabilities. Since Q4 2012, positions against Germany have decreased by 16.5 per cent, while positions against the Netherlands have increased by almost 6 per cent to €22.7 billion.

External loans and deposits (liabilities) stood at €227.6 billion at end-Q4, representing 64 per cent of total external liabilities. IFSC banks accounted for 67 per cent of the external loans and deposits (liabilities).

The market value of debt securities issued was €49.7 billion at the end of 2013 with IFSC banks accounting for 71 per cent of these liabilities. The banking sector was the largest holder of these IFSC issued securities. The external debt security funding of domestic market banks was more diversified across sectors with significant funding from both non-bank financial companies and governments in addition to banks.

Income Statement

In Q4 2013, banking offices resident in Ireland reported a cumulative total operating income of €2.9 billion, an increase of almost 5 per cent on the previous year.

Since Q4 2012, interest income has fallen by 18 per cent while account fees and charges have increased by over 17 per cent, albeit from a low base, to €114 million. Domestic market banks account for 95 per cent of account fees and charges.

In Q4 2013, General operating expenses have fallen sharply to €742 million. However, quarterly data are volatile and the fall in Q4 2013 is impacted by particular one-off events.

[1]Resident bank's asset and liability positions with non-residents in all currencies and residents in foreign currency.

[2] Domestic market banks are banks that have a significant level of retail business with Irish households and NFCs, and would exclude the more internationally focused banks in the IFSC. A full list of these institutions is available on the Central Bank of Ireland website.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Central Bank Issues Consultation Paper on Handling of Protected Disclosures by the Central Bank

19 March 2014

The Central Bank of Ireland today (19 March 2014) publishes a consultation paper on handling of protected disclosures by the Central Bank, as introduced under the Central Bank (Supervision and Enforcement) Act 2013. The Act introduced new provisions in relation to the making of reports to the Central Bank regarding alleged breaches of financial services legislation, which has led the Central Bank to introduce new arrangements for the receipt and handling of certain protected disclosures.

The purpose of the consultation is to seek views in relation to the arrangements and policies the Central Bank intends to put in place in response to the legislation. The new arrangements take into account the experience of other regulators in Ireland and the experience of financial regulators in other countries who have been consulted.

The consultation paper proposes:

- The establishment a central 'Whistleblower Desk' to deal with protected disclosures reported to the organisation. The desk will serve as the primary point of contact for Whistleblowers wishing to make a disclosure and is seen as the most efficient and effective use of resources to adequately address the requirements of the Act and provide a robust method of managing protected disclosures.
- The Central Bank will accept anonymous disclosures, however it encourages any person making a report to provide their name and contact details.
- The Central Bank does not intend to inform Whistleblowers of what action, if any, has been taken as a result of their disclosure to protect the rights of all parties in line with statutory requirements.
- Although a complaint by a consumer may sometimes fall within the definition of a protected disclosure under legislation, the Whistleblower Desk will not ordinarily treat such complaints as whistleblowing or deal with such complaints.
- The Central Bank will record all telephone calls on the dedicated Whistleblower telephone line.

The Central Bank welcomes comments and views from all interested parties.

The closing date for submissions on this Consultation Paper is 19 June 2014. It is intended that submissions will be published on the Central Bank website.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Central Bank Publishes Report on Payments in Irish Schools

20 March 2014

A survey of secondary schools has found that the desire to migrate to electronic payments is very strong, with security concerns being cited as the biggest challenge for schools in managing cash payments.

The information is contained in the 'Payments in Irish Schools' report, which is published by the Central Bank today (20 March 2014). The report explores how payments are made in Ireland to and from schools and is based on two surveys conducted in 2013 as part of the National Payments Plan (NPP).

The report details the difficulties for schools in managing cash, including security concerns (80%) and the significant time involved in managing cash payments (58%). Schools reported frequently having to store significant sums of cash on the school premises and also said that members of staff have to physically transport cash to local banks, exposing them to security risk. Further, many schools reported difficulties with a lack of an audit trail in managing cash payments.

NPP Programme Manager Ronnie O'Toole said: "Schools in Ireland make and receive a huge number of payments, particularly from parents. However they are not getting the most out of the payment technologies that now exist."

The report shows that payments from parents to schools in Ireland are dominated by cash and cheques, with nine out of ten parents currently paying by these methods. Cash is the method most often used for making payments, with four out of five parents with children at primary school level and three out of five parents with children attending second-level school using cash as their main method of making payments to schools.

The results also indicate that not only do schools want to use electronic payments more but that parents do too. The majority (56%) of parents said that they would make payments by electronic methods if schools had the systems in place to enable them to do so. 96% of parents surveyed had access to a bank account.

The NPP Chairman Tony Grimes said: "The NPP recommends that the Department of Education and Skills establishes a national programme with the objective that all schools offer parents the choice to make payments by electronic means by 2016."

ENDS Further information: Press Office (01) 224 6299

Notes to Editor

National Payments Plan

In June 2011 the Minister for Finance, Michael Noonan, asked the Central Bank to take a lead role in preparing a National Payments Plan. The National Payments Plan (NPP) was published in April 2013, and sets out an ambitious plan to transform payments in Ireland. One of the recommendations in the plan is to identify sectors which are not currently taking advantage of electronic payments, such as schools.

The National Payments Plan Steering Committee consists of:

- Tony Grimes (Chairman)
- Department of Finance
- Department of Social Protection
- National Consumer Agency
- IBEC
- Central Bank of Ireland
- RGDATA
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Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

New Research Shows Effect of Recall Error on Housing Wealth Estimates

21 March 2014

The Central Bank today publishes new research entitled ‘Attenuation bias, recall error and the housing wealth effect’

The research, based on a combination of prudential data and a representative survey, highlights the differences between the prices actually paid for house purchase and the price households remember paying. The study examines the implications this discrepancy has for estimates of the housing wealth effect which use the recall price as an indicator of housing wealth as opposed to the actual price.

The key results of the research are as follows:

- Irish households have some difficulty in accurately remembering their house price;
- Most households tend to understate the true purchase price;
- If the recall price was used as an indicator of housing wealth, the estimated wealth effect would be 70 per cent less than that estimated with the actual price; and
- The scale of the error appears to be a function of both market conditions and individual household characteristics.

Further information: Press Office: (01) 224 6299

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Central Bank of Ireland Issues Warning on Unauthorised Investment Firm

24 March 2014

The Central Bank of Ireland ('Central Bank') today (24 March 2014) published the name of an unauthorised investment firm, **Ashland Mergers & Acquisitions Management (Japan). Ashland Mergers & Acquisitions Management (Japan)** is not authorised as an investment firm by the Central Bank.

It is a criminal offence for an unauthorised firm to provide financial services in Ireland that would require an authorisation under the relevant legislation for which the Central Bank is the responsible body for enforcing. Consumers should be aware that, if they deal with a firm which is not authorised, they are not eligible for compensation from the Investor Compensation Scheme.

Any person wishing to contact the Central Bank of Ireland with information regarding such firms may telephone (01) 224 4000. This line is also available to the public to check if a firm is authorised. Since obtaining the necessary legal powers in August 1998, the names of 223 unauthorised firms or persons have been published by the Central Bank.

Notes to editors

The name of the above firm is published under the Central Bank (Supervision and Enforcement) Act 2013.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Central Bank Announces Appointment of Director of Credit Institutions

24 March 2014

The Central Bank today (24 March 2014) announced the appointment of Sharon Donnery to the role of Director of Credit Institutions, with effect from 25 March 2014.

Ms Donnery, who is currently Registrar of Credit Unions and will continue in that role until a successor has been appointed, has worked with the Central Bank since 1996 when she joined as an economist. She was Head of Consumer Information and subsequently Head of Consumer Protection prior to her appointment as Registrar of Credit Unions.

Announcing the appointment, Central Bank Deputy Governor, Cyril Roux, said: ‘I am delighted to announce the appointment of Sharon as Director of Credit Institutions. She takes up this role at a particularly important time with the establishment of the Single Supervisory Mechanism (SSM)’.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Central Bank Data on Investment Funds in Q4 2013

25 March 2014

The underlying trend of strong growth in the Irish fund industry was evident again in Q4 2013, with net asset values rising to €1,070 billion from €1,041 billion in Q3. Significantly, net investor inflows to funds accounted for around half of this increase, while equity prices drove positive revaluations. There were some notable inflows to euro peripheral country debt.

The net asset value of investment funds (IFs) resident in Ireland increased by 2.8 per cent in Q4 2013 to €1,070 billion from €1,041 billion, as shown in the chart below. There were net investor inflows to IFs for the eighth successive quarter, amounting to €14.3 billion in Q4, which accounted for around half of the overall increase in net asset value. Net positive revaluations in the asset portfolios of IFs, of €14.6 billion, were driven entirely by increases in equity prices in Europe and the US. Equity prices in emerging markets declined significantly in Q4 but the exposure of Irish funds to these assets is very low. Looking at IFs investment strategies, there were significant net flows into equity holdings in the second half of 2013 relative to debt holdings, which marks a reversal of a strong relative preference for debt security holdings in the first half of the year. The value of debt security holdings have largely stabilised, following sharp negative revaluations in Q2.

Within euro area debt security holdings, there were some notable inflows into peripheral country debt in Q4 2013, reflecting improved market sentiment towards euro area and global economic prospects. Spanish debt was the main beneficiary, with holdings rising to €7.5 billion as IFs invested an additional €1.1 billion during Q4, while Italian debt holdings increased slightly to €16 billion as IFs invested an additional €0.4 billion. Conversely, there were outflows of €1.4 billion and €0.4 billion from German and French debt securities respectively.These portfolio shifts could be seen as a return to more normal conditions as they represent the unwinding of portfolio shifts that took place during the euro area debt crisis.

The Central Bank conducted a review of classifications in conjunction with the IF industry, which led to a significant number of funds reclassifying their fund type. The main results are outlined in the table below. The net inflow into equity funds was driven largely by a number of private equity and exchange traded fund moving from the other funds category. Bond funds also saw a substantial net increase, driven by funds previously included in the mixed and hedge fund categories and by reclassified exchange traded funds. As a result of the reclassifications, the other funds category fell markedly. There was a small net reduction in the population of IFs due to a small number of reclassifications to money market funds.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

New Research on Money, Interest and Real Economic Activity, 1933-2012

27 March 2014

The Central Bank of Ireland today publishes two new Research Technical Papers on ‘Money, interest and prices in Ireland, 1933-2012’ and ‘Money demand in Ireland, 1933-2012’ (Research Technical Papers 07/RT/14 and 08/RT/14).

The research assembles an annual data set on broad and narrow money (M1 and M2), prices, real economic activity and interest rates in Ireland from a variety of sources for the period 1933-2012, and studies the behaviour of these variables over this period. The data series on M1, M2, income and short and long-term interest rates are compiled from secondary sources and made available for the first time.

The main findings of the research are as follows:

- Money, price, income and interest rates are co-integrated, implying that it is possible to estimate standard long-run money demand functions.
- The results from a Vector Autoregression (VAR) analysis suggest that aggregate supply and inflation shocks play a dominant role in Irish business cycles.
- In estimating long-run money demand in Ireland using M2, the results indicate price elasticities are close to unity and the income elasticities are about 1.7, close to prior expectations.
- The convergence to equilibrium when a deviation from long-run demand occurs is estimated to have been slow, indicating that, from an economic and historical perspective, the relationship between money, interest rates, income and prices in Ireland was not very close in the period 1933-2012.

Further information: Press Office: (01) 224 6299

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

The Domestic Irish Banks’ Consolidated Foreign Claims: Q4 2013

27 March 2014

Overview:

- Domestic banks’[1] foreign claims declined in Q4 2013, falling by 7.5 per cent to €93 billion; this was driven by a change in reporting population. Controlling for the change in reporting population, claims increased marginally over the quarter.
- The outstanding amount of foreign claims classified as local[2] at end-Q4 2013 was more than double the amount classed as cross-border claims[3]. This, however, masked a quarter-on-quarter decrease of 12.3 per cent in local claims and a quarter-on-quarter increase of 6.3 per cent in cross-border claims.
- Domestic banks’ largest foreign claims continue to be on the UK with 74 per cent of claims located here; the majority of these are vis-à-vis the non-bank private sector.

The Domestic Irish Banks’ Consolidated Foreign Claims

At end-December 2013, domestic banks had foreign claims of €93 billion, representing a decrease of €7.5 billion over the quarter; however this decrease was driven by a fall in reporting population. The decrease was mainly reflected in a fall in claims on foreign private sectors which fell by €8.5 billion (10.5 per cent) over the quarter. Claims on foreign banks also fell during Q4 2013 by €278 million (2.8 per cent). Meanwhile, claims on foreign public sectors rose by €1.2 billion (11.9 per cent) over the quarter. Claims on foreign private sectors are predominant, accounting for 77 per cent of total foreign claims at end-December. Claims on foreign public sectors and credit institutions are relatively small in comparison, accounting for 12 and 11 per cent, respectively, of total foreign claims. Despite a quarterly increase in foreign claims in Q3 2013, the year-on-year change remained negative, with a decline of 17.6 per cent at end-December 2013. The annual reduction in total foreign claims is expected, given that the domestic banking groups continue to downsize their operations abroad.

Consistent with the recent trend, the end-December 2013 data show that local claims, at €65 billion, were far greater than cross-border claims which stood at €28 billion. Over the past number of years cross-border credit has been declining at a much faster annual rate than local claims, however, 2013 saw a reversal of this trend. At end-December 2013, the annual rate of change for local and cross-border claims stood at minus 23 per cent and minus 1.6 per cent, respectively. The equivalent figures for end-December 2012 show a decline of

28.9 per cent for cross-border claims and a more modest decline of 18.3 per cent for local claims.

The domestic banks' largest foreign claims are on the United Kingdom (including Northern Ireland), with exposures of €69 billion at end-December 2013. Foreign claims on the UK decreased by 5.6 per cent over the quarter. Claims on UK credit institutions and the UK private sector decreased by 28 per cent and 6.5 per cent, respectively. Meanwhile, claims on the UK public sector increased by 19.9 per cent over the quarter. Chart 2 shows that the vast majority of the domestic banks' claims on the UK are on the non-bank private sector, while exposures to credit institutions and the public sector are very small relative to overall UK exposures.

The outstanding amount of foreign claims on the US decreased by 8.9 per cent during Q4 2013, with the decrease in claims by domestic banks on the US private sector more than offsetting the increase in claims on US banks and the US public sector.

Irish banks also had significant foreign claims on France, Spain, the Netherlands and the Isle of Man at end Q4 2013, albeit claims on each of these countries declined over the quarter, accumulating to a collective decline of €1.3 billion on these countries over the quarter. Despite quarterly decreases, claims on the Netherlands and France registered annual increases of 17.4 per cent and 0.2 per cent, respectively. Meanwhile, claims on the Isle of Man and Spain recorded annual declines of 36.7 per cent and 32.7 per cent, respectively at end Q4 2013.

Note to Editors:

The consolidated banking statistics detail the claims of the domestic banks on non-residents, by counterpart country and sector on an ultimate risk basis i.e. according to the country and sector where the ultimate guarantor of the risk resides. The dataset used is similar in methodology to the Consolidated Banking Statistics published by the Bank for International Settlements (BIS), but differs in coverage, as it refers only to the domestic Irish banks.

The tables can be accessed on the Central Bank of Ireland website. The dataset begins in December 2004 and the latest data published relate to end-December 2013.

[1] In this case, the Central Bank of Ireland defines domestic banks as those banks whose ultimate parent entity is resident in Ireland.

[2] Local claims refer to lending by non-resident affiliates of domestic banks in the country where the affiliate is located.

[3] Cross-border claims cover exposures where the country of ultimate risk differs from the residency of the bank office making the loan.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Central Bank of Ireland Issues Warning on Unauthorised Investment Firm

28 March 2014

The Central Bank of Ireland ('Central Bank') today (28 March 2014) published the name of an unauthorised investment firm**, Walters Capital Group (USA). Walters Capital Group (USA)** is not authorised as an investment firm by the Central Bank.

A list of unauthorised firms published to date is available on the Central Bank website.

It is a criminal offence for an unauthorised person or firm to provide financial services in Ireland that would require an authorisation under the relevant legislation for which the Central Bank is the responsible body for enforcing. Consumers should be aware that, if they deal with a person or firm which is not authorised, they are not eligible for compensation from the Investor Compensation Scheme.

Any person wishing to contact the Central Bank of Ireland with information regarding such persons or firms may telephone (01) 224 4000. This line is also available to the public to check if a person or firm is authorised. Since obtaining the necessary legal powers in August 1998, the names of 224 unauthorised persons or firms have been published by the Central Bank.

Notes to editors

The name of the above firm is published under the Central Bank (Supervision and Enforcement) Act 2013.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Money and Banking Statistics: February 2014

31 March 2014

Summary:

Credit to households and non-financial corporations continues to contract on an annual basis, as repayments exceed new lending. Conversely, Irish private sector deposits increased on an annual basis; albeit net monthly outflows were registered in February.

Loans and other credit

- Household loan repayments exceeded drawdowns by €387 million during February 2014, following a net monthly decrease of €824 million in household loans in January. Developments in February reflect the decline across all categories of household loans, with the most substantial decrease again seen among loans for house purchase, which fell by €340 million over the month.
- On an annual basis, lending to Irish households continued to fall, decreasing by 3.8 per cent in February 2014; this compares to an annual decline of 4.1 per cent in January 2014. Loans for house purchase, which account for 78 per cent of total household loans, declined at an annual rate of 3.1 per cent. Lending for consumption and other purposes declined by 6.3 per cent over the year.
- On a monthly basis, non-financial corporation (NFC) loan drawdowns exceeded repayments in February 2014; this followed a fourteen month period of consecutive monthly declines in NFC loans. Loans to NFCs increased by €49 million (0.1 per cent) in February, compared to a monthly decline of €94 million (0.1 per cent) in January. Developments in February reflect an increase in medium-term NFC loans of €363 million (1.8 per cent) which was only partly offset by a fall in short and long term loans of €153 million (0.6 per cent) and €161 million (0.5 per cent), respectively.
- Lending to Irish resident NFCs reported a year-on-year decline of 5.6 per cent in February 2014, following an annual decrease of 5.8 per cent in January. All maturity categories recorded declines over the year. The decline was most pronounced for medium-term loans which fell by 9.1 per cent. More modest declines of 5.5 per cent and 2.6 per cent were recorded respectively for long-term and short-term NFC loans.
- Credit institutions’ holdings of debt and equity securities issued by the Irish private sector decreased by €103 million during February 2014, following a decrease of €246 million in January. This brought the annual

rate of decline at end-February to 8.1 per cent, compared to an annual decline of 11.2 per cent in January. The decrease in holdings of private-sector securities during February 2014 was almost entirely attributable to developments in the other financial intermediaries (OFIs) sector, which fell by €102 million over the month, bringing the annual rate of decline in these holdings to 8.5 per cent.

Deposits and other funding

- There was a decrease of €219 million in Irish resident private-sector deposits during February 2014. This was mainly owing to a fall in deposits from insurance corporations and pension funds (ICPFs) of €388 million; household and OFIs deposits also fell by €207 million and €136 million, respectively over the month. Meanwhile, NFC deposits showed an increase of €512 million over the month.
- Looking at the maturity breakdown, overnight deposits, which include current accounts, fell by €38 million in February 2014. This was mainly driven by a decline of €308 million in the OFI sector; overnight deposits from ICPFs also fell by €233 million over the month. Meanwhile, overnight deposits from the Household and NFC sectors rose by €7 million and €496 million respectively.
- Medium-term deposits with agreed maturity up to two years, continued to decline, albeit at a slower rate than previous months. There was a €3 million fall during February, which reflects a decline in deposits from households and ICPFs of €121 million and €103 million, respectively. Deposits from the NFC and OFI sectors registered increases of €47 million and €174 million respectively over the month.
- Deposits with agreed maturity over two years decreased by €171 million during February. This was owing to a decrease in longer-term deposits from households of €104 million; ICPF and NFC deposits also fell by €52 million and €32 million, respectively. In contrast to this, longer-term deposits from OFIs showed an increase of €17 million over the month.
- On an annual basis, deposits from the Irish resident private sector increased at a rate of 7.7 per cent in February 2014, following a rise of 6.9 per cent in January. NFC deposits increased over the year by 12.1 per cent, while deposits from ICPFs and households declined by 16.9 per cent and 0.8 per cent, respectively.
- The annual increase in OFI deposits was 37.9 per cent, driven by a transaction in March 2013 related to the liquidation of the Irish Bank Resolution Corporation (IBRC). IBRC's liability to the Central Bank of Ireland was replaced by a liability to the National Asset Management Agency (NAMA), classified as an overnight deposit. This position will be unwound as the assets which currently remain on the IBRC balance sheet are transferred. Excluding the impact of this transaction, total OFI deposits at end-February would have decreased by 2.5 per cent on an annual basis, and total private-sector deposits would have remained static over the year.

- Developments in non-resident private-sector deposits continued to decline. Non-resident deposits decreased by €473 million during February 2014, following a €373 million decrease in January. Developments in February were mainly driven by a €854 million decline in private sector deposits from non-euro area residents; the majority of which was withdrawn from IFSC banks. Conversely, other-euro area private sector deposits increased by €381 million over the month. In annual terms, private-sector deposits from other euro area residents decreased by 8 per cent and deposits from non-euro area residents fell by 1 per cent.
- Credit institutions' borrowings from the Central Bank as part of Eurosystem monetary policy operations fell by €525 million in February 2014. The outstanding stock of these borrowings amounted to €36.6 billion at end- February. The domestic market group of credit institutions accounted for €29.3 billion of this total outstanding stock and current levels represent the lowest level of reliance on central bank funding since August 2008.

Note

Money and Banking Statistics currently include an aggregate balance sheet for the entire population of resident credit institutions, reported in Table A.4. Please note that the composition of the subsets of the population reported in Tables A.4.1 and A.4.2 have been updated as follows:

A.4.1 – Domestic Market Group: Institutions whose ultimate parent entity is resident in Ireland (including credit unions), or which have a significant (>20 per cent) level of business with Irish households and non-financial corporations in terms of their overall resident business activity.

A.4.2 – Irish-Headquartered Group: Institutions whose ultimate parent entity is resident in Ireland. This includes all credit unions.

A full list of credit institutions resident in the Republic of Ireland, as well as the subset of institutions that comprise the Domestic Market Group, are available in the Credit, Money and Banking section of the Central Bank website.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Addendum to Minimum Competency Code 2011 for Debt Management Services

31 March 2014

The Central Bank of Ireland today (31 March 2014) published an Addendum to the Minimum Competency Code 2011 (MCC). The Addendum amends the MCC to include standards for persons providing debt management services and follows consultation with interested industry stakeholders and professional education bodies.

Director of Consumer Protection, Bernard Sheridan, said: “We are committed to strengthening consumer protection by requiring anyone providing consumer advice and services to have minimum professional competencies and standards. This is an important part of our overall consumer protection framework. Consumers need to have confidence that they are receiving the best possible financial advice and services at all times and that the individuals they are dealing with are properly qualified. This is particularly important for the customers of debt management firms who are looking for advice and assistance to manage their debts and therefore could be in a particularly vulnerable position.”

The amendments to the MCC are as follows:

- including the provision of debt management services as a specified function subject to our minimum competency requirements;
- specifying the competencies that must be met by individuals performing debt management services and including a list of qualifications that will be recognised as meeting those competencies; and
- setting out transitional arrangements for individuals already providing debt management services prior to 1 August 2013.

The amendments set out in the Addendum will take effect from 1 June 2014. Individuals providing debt management services will be required to commence working towards obtaining a qualification recognised for the purposes of the MCC and those availing of the transitional arrangements will be required to have obtained that qualification by 1 August 2017.

Further information: Press Office: +353 (0) 1 224 6299

Notes to editors

Part 1 of the MCC is issued under Section 50 of the Central Bank Reform Act 2010, which gives the Central Bank the power to issue codes setting out standards of fitness and probity to be met by individuals in the regulated financial services industry. The principal purpose of this Addendum, therefore, is to provide for the competency standards to be met by individuals in the debt management industry, under rules made in accordance with Section 50 of the Central Bank Reform Act 2010.

Part 2 of the MCC is imposed, inter alia, under Section 117 of the Central Bank Act 1989 and it imposes various obligations on regulated firms in connection with the minimum competency standards.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Settlement Agreement between the Central Bank of Ireland and LGT Capital Partners (Ireland) Limited

1 April 2014

The Central Bank of Ireland (the “**Central Bank**”) has entered into a Settlement Agreement with effect from 28 March 2014 with LGT Capital Partners (Ireland) Limited (the “**Firm**”), a regulated financial services provider, in relation to contraventions of the European Communities (Capital Adequacy of Investment Firms) Regulations 2006 (S.I. 660 of 2006) (the “**Capital Adequacy Regulations**”) and the European Communities (Markets in Financial Instruments) Regulations 2007 (S.I. 60 of 2007) (the “**MiFID Regulations**”).

Reprimand and fine

The Central Bank reprimanded the Firm and required it to pay a monetary penalty of €95,000.

Contraventions

Two contraventions were identified:

1. The Firm failed to maintain the required level of regulatory capital over a period of 50 days between 31 December 2012 and 24 February 2013, in breach of the Capital Adequacy Regulations; and
2. The Firm failed to ensure it had in place and used sound administrative and accounting procedures and internal control mechanisms to enable it to monitor and recognise the risk that its increasing debtor balance could cause its level of own funds to fall below the required amount (as evidenced in contravention one above) due to its increased credit risk capital requirement, in breach of the MiFID Regulations.

Background

In January 2013, on receipt of a periodic regulatory return from the Firm, the Central Bank noted that the Firm had a deficit of €132,000 in its regulatory capital (Regulatory Capital specifies the minimum level of specific types of capital that must be available to absorb losses in the event of an insolvency of a firm). The Central Bank requested further information from the Firm which showed that the Firm was undercapitalised for a total of 50 days between 31 December 2012 and 24 February 2013. The amount of the shortfall varied from

€3,000 to €521,000. The breach occurred due to an increase in the required amount of regulatory capital caused by an increase in the Firm's debtors at the end of December 2012.

Penalty decision factors

In deciding the appropriate penalty to impose, the Central Bank has taken the following into account:

- the seriousness with which the Central Bank views any contraventions of the Capital Adequacy Regulations and the failure to have in place proper internal control mechanisms to enable firms to recognise the risk to capital from certain events;
- that once the breaches were discovered the Firm took prompt corrective action to address and rectify the issues which led to the contraventions;
- the cooperation of the Firm during the Central Bank's investigation and in settling at an early stage in the administrative sanctions procedure.

The Central Bank confirms that the matter is now closed.

The Central Bank of Ireland also issued a general comment from Director of Enforcement, Derville Rowland:

"This is the first settlement with an investment firm for a breach of the capital requirements set out in the European Communities (Capital Adequacy of Investment Firms) Regulations 2006 (S.I. 660 of 2006)(the "Capital Adequacy Regulations").

The purpose of the Capital Adequacy Regulations is to ensure that investment firms have enough capital to absorb losses that may arise due to market conditions or other events. The Central Bank monitors the capital requirements of investment firms through returns which are submitted to the Central Bank on a periodic basis.

Firms must also ensure that their systems and controls are adequate to ensure compliance with their regulatory capital requirements.

Where the Central Bank finds evidence of failures in this area, it will continue to use its range of regulatory tools, including enforcement. The Central Bank does not have an active supervisory relationship with lower impact rated entities. Under PRISM (the Central Bank's risk based supervisory framework), low-impact firms are supervised reactively or through thematic assessments. Enforcement is therefore a key support for the effective supervision of these entities."

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Central Bank Publishes Signed Articles in Advance of Quarterly Bulletin

4 April 2014

The Central Bank of Ireland today (4 April 2014) publishes three signed articles from the Central Bank's second Quarterly Bulletin for 2014 entitled:

- Irish Results of the BIS Foreign Exchange and Interest Rate Derivatives Survey 2013
- Central Bank Communications: A Comparative Study
- Analysis of Recent Monetary Operations and Financial Market Developments.

Irish Results of the Bank for International Settlements (BIS) Foreign Exchange and Interest Rate Derivatives Survey 2013 discusses the results of the most recent BIS survey of global turnover in foreign exchange and over-the-counter single-currency interest rate derivatives. This survey is coordinated by the BIS every three years, and Ireland has participated since 1995. The survey results show:

- A sharp fall for Ireland in turnover in both foreign exchange and interest rate derivatives since the last survey in 2010.
- April 2013 was one of the most active months in trading of foreign exchange derivatives, partly due to a regime shift in monetary policy by the Bank of Japan.
- Derivative transactions in Ireland in 2013 were concentrated in a small number of base currencies, contrary to global trends, where emerging-market currencies increased in importance.
- The dollar remained the predominant currency in foreign exchange derivatives, accounting for one side in three quarters of all currency pairs.
- Electronic trading has gained in importance, reflecting an increase in the number and variety of trading platforms, although this increase does not apply to all derivative products.

Central Bank Communications: A Comparative Study analyses the communications practices of ten central banks in advanced economies, placing emphasis on the changes in communication practices in recent times, and particularly since the financial crisis. The main findings of the comparative study are as follows:

- Central bank communication has increased significantly over the past two decades and has continued to evolve since the onset of the financial crisis.
- While most central banks use similar communication tools, exactly how these tools are employed differs considerably across central banks. For example, although all central banks communicate using speeches and press releases, the use and timing of press conferences varies across central banks. Also, only five of ten central banks publish minutes, with varying levels of detail.
- While some central banks provided interest rate forecasts as far back as 1997, the crisis has led to an increase in the number issuing forward guidance.

Analysis of Recent Monetary Operations and Financial Market Developments examines developments in Eurosystem monetary policy and tracks the effect on both outstanding Eurosystem lending and financial markets. The article explores the excess liquidity environment in the euro area and examines market risk appetite, with peripheral Europe remaining the main focus of attention. The article shows:

- Eurosystem outstanding lending decreased significantly throughout 2013, mainly due to the partial repayments of the two 3-year LTROs. This decrease in lending led to a gradual, but substantial reduction in the level of excess liquidity over the year.
- Market sentiment was generally positive in 2013, with policy announcements from key central banks continuing to drive financial markets developments.
- Sentiment towards the Irish sovereign grew more positive as 2013 progressed, and into early 2014, following the announcement that the country would leave its external funding programme without a precautionary credit line, as well as the upgrade of the Irish sovereign credit rating by Moody's to investment grade.
- Market sentiment towards peripheral Europe continued to improve throughout 2013, with falling bond yields throughout the periphery and evidence that the region is more resilient to contagion.
- Despite the overall positive sentiment, a number of weak economic data releases and low inflation expectations resulted in the ECB twice reducing its main policy rate. In addition, falling excess liquidity and low inflation figures caused speculation in Europe that the ECB would introduce new non-standard measures.
- In the US, the announcement that the Fed would reduce its bond purchase programme increased volatility in financial markets, particularly in emerging markets.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Outcome of Multiple Debt Framework Pilot Published

4 April 2014

The Central Bank of Ireland today (4 April 2014) published the outcomes of the Multiple Debt Framework Pilot. In May 2013 the Central Bank facilitated the 'Framework for a Pilot Approach to the Co-ordinated Resolution of Multiple Debts owed by a Distressed Borrower'. Participating lenders in the pilot included banks, credit unions and a credit card company. The pilot was operated by StepChange Debt Charity with cases referred from a range of lenders.

As part of the pilot 1,338 cases were identified by lenders as potential cases meeting the selection criteria. Ultimately, due to exclusion criteria and other issues 282 borrowers were referred to StepChange for assessment. The results show that 144 out of 282 distressed borrowers received proposed solutions to their overall debt situation during the four month pilot.

The key findings of the pilot are:

- Borrowers, who had previously been reluctant to trust their lender, were found to be willing to find solutions through an independent third party working on their behalf, using an agreed framework.
- The feedback from participating borrowers and lenders regarding StepChange, and their role as an independent intermediary, was extremely positive, in particular their professionalism and ethos of working in the best interests of borrowers.
- Lenders are more inclined to agree an overall solution for a borrower when they have full view of the borrower's financial situation and have sight of all solutions offered to all of the borrower's other lenders.
- The initiative demonstrated the advantage of not placing a borrower in the middle of conflicts with multiple lenders, with associated potential for conflicting advice.
- A significant number of cases assessed during the pilot involved borrowers already living below accepted standard of living norms. This initiative provided these borrowers with an alternative solution to their overall debt situation without requiring bankruptcy.
- Despite the economic incentives that exist for creditors to work together to the benefit of themselves and their mutual customer many appear to continue to prefer to work individually or to rely on formal legal processes.

Central Bank Director Fiona Muldoon said, 'The Central Bank facilitated this pilot to test the viability of the initial proposed approach agreed amongst the participants. I would like to thank all involved in the pilot for their constructive participation in an un-tested new process. We started this work in order to determine whether it was possible to achieve workable sustainable outcomes between multi-debted borrowers and their lenders by mutual consent. The pilot was a difficult but useful undertaking and we believe it highlighted the positive outcomes that are possible when creditors work together to help their mutual customer. However it has also demonstrated again the many potential barriers to resolution of individual debtor cases. I believe the outcomes from the pilot establish a foundation from which to develop a debtor led process that could achieve sustainable and fair outcomes without the need for the borrower to always enter the full insolvency process or bankruptcy should they chose not to. The Central Bank will continue to be supportive of any such initiatives for over-indebted consumers.'

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Central Bank of Ireland Quarterly Bulletin Q2 2014

4 April 2014

The Central Bank of Ireland today published Quarterly Bulletin Q2 2014.

Comment

While different measures of economic activity present contrasting pictures of the performance of the Irish economy, the balance of evidence from a range of indicators signals that the recovery in economic activity is continuing. The clearest sign of this recovery is provided by labour market data, which indicate that employment has grown strongly over the last five quarters, helping to reduce the unemployment rate to just below 12 per cent from a peak of over 15 per cent in early 2012. Initially, the recovery in employment was confined to part-time jobs, however, recent quarters have seen steady growth in fulltime employment, which seems broadly based. Signs of improvement are also visible in investment data, business and consumer survey measures and in more positive retail spending data.

Despite these developments, however, preliminary National accounts data for 2013 indicate that GDP, the most commonly cited measure of overall economic activity, declined marginally last year. The recorded fall in GDP in 2013 primarily reflected the negative impact of the expiry of some important pharmaceutical patents. The statistical treatment of the newly off-patent drugs has resulted in a large measured decline in both production and exports from the pharmaceutical sector, though there has been little impact on employment in that sector. In terms of activity as measured by GNP, however, the picture is somewhat different. With the impact of patent expirations being offset by a reduction in associated profit outflows, the outturn for GNP growth in 2013 was much stronger. At present, the direction of change in activity signalled by GNP, though probably not the scale, is more consistent with the higher level of activity to be seen in labour market and other data than the marginal contraction signalled by GDP.

Looking ahead, with patent expirations expected to have a continuing, but declining impact, improving external demand conditions are projected to support stronger export growth this year and next. In addition, domestic demand, which broadly stabilised in 2013, is forecast to make a modest positive contribution to growth this year. Continued employment growth is likely to support household incomes and consumer confidence and, given this prospect, modest positive growth in consumer spending is projected for 2014. Investment spending has gathered strength, which is forecast to be maintained this year. Together with the outlook for consumer spending, this points to some increase in domestic demand in 2014, though this is likely to be modest given that many headwinds to recovery still remain.

On balance, this suggests little change to the outlook for GDP growth for 2013 and 2014 as compared to the forecasts published in the previous Bulletin. GDP growth of 2.0 per cent is now projected for this year, with growth of 3.2 per cent projected for 2015, representing a small downward revision of 0.1 per cent to the forecast for this year and no change to the projection for next year. On the basis of some continuing impact from patent expirations in 2014, the forecast for GNP growth has been raised slightly for this year. The 2015 growth projections are based on consensus assumptions from the main international institutions, which forecast a recovery in external demand back towards its long run trend. Uncertainty attaches to these forecasts, however, and they remain sensitive to developments in the international and European economy.

Turning to policy issues, Ireland has made a smooth exit from the EU/IMF Programme, benefitting from continued market confidence in the outlook for economic performance and policy prospects. This has helped the Sovereign and domestic banks to gain greater access to market funding at more favourable rates. Strong policy implementation and the prospect of an emerging economic recovery have underpinned these favourable developments and continuing to build on the achievements of recent years will be crucial. Successfully exiting the EU/IMF Programme has been an important step along the road to recovery but it is not an end. Further progress in terms of policy implementation across a range of areas is required to ensure a sustainable return to steady growth. With respect to the public finances, while figures have yet to be finalised, the latest indications are that the outturn for the General Government Deficit in 2013 should be slightly below the 7.5 per cent of GDP target under the Excessive Deficit Procedure. In addition, projections indicate that the debt-to-GDP ratio peaked in 2013 and should now start to gradually fall. Debt and deficit levels remain very high and further consolidation will be needed in coming years to put debt firmly on a downward path. Over the years of the EU/IMF Programme, financial markets have been calmed by the firm action taken by Government to implement all of the fiscal targets set in the Programme. To ensure that this confidence remains, it will be more important than ever that the Government prepare budgetary plans for 2015 that will convince observers that Ireland remains on track for fiscal consolidation. Securing debt sustainability is necessary to underpin a more durable recovery and also reinforce market confidence in Ireland’s creditworthiness and maintain favourable access to market funding.

In the banking sector, liquidity and funding positions are continuing to improve and are generally returning to a more sustainable profile. Bank profitability is also gradually showing signs of recovering. The key issues, however, continue to revolve around progress in dealing with impaired loans. Using the mortgage arrears resolution targets, the Central Bank has required the banks to make progress in putting in place sustainable longterm arrangements with customers in arrears. Gradually, progress is being made, with longterm arrears starting to decrease, although there continues to be migration of loans into the very long-term arrears category. The Central Bank is also monitoring the progress of banks in resolving the complex issue of distressed commercial portfolios. Gradually, in this way, the balance sheets of the banks and their borrowers are being repaired, which is an essential prerequisite for continued wider economic recovery and to underpin the return to sustainable growth.

While domestic demand is projected to begin to contribute to the recovery, a strong external performance will remain central to ensuring a sustainable return to steady growth and rising living standards in the future. In recent years, moderate wage growth and reductions to the cost base of the economy have helped restore some of the competitiveness lost during the boom. Looking ahead, further improvements in productivity and competitiveness would help to boost Ireland's growth potential and support further employment growth.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Central Bank of Ireland statement

8 April 2014

The Central Bank notes the decision by Maynooth Credit Union Limited and the Irish League of Credit Unions to withdraw the judicial review proceedings initiated last July. The regulatory directions, which were the subject of the proceedings, remain in place.

Regulatory directions are imposed on credit unions to mitigate risks identified and are kept in place in order to protect members savings until such time as the Central Bank is satisfied that the issues, that gave rise to the concerns have been fully addressed. The Central Bank intends to carry out updated reviews of Maynooth Credit Union Limited and the other credit unions which were subject to the proceedings, in the near future.

The Central Bank engages directly with individual credit unions in relation to regulatory matters and the statutory obligation to comply with regulatory requirements rests with those individual credit unions. The Central Bank continues its work programme in relation to the supervision of all credit unions, including taking pre-emptive action for those credit unions that are identified as having a weakened financial position.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

New Research on Irish Household Deposits

9 April 2014

The Central Bank of Ireland today publishes a new Economic Letter ‘Do Irish households respond to deposit rates?’ (Economic Letter No. 2). This new piece of research focuses on the Irish household deposit market, describing some of the key developments in this segment during the crisis and tests if deposits movements are affected by differences in deposit rates across the banks, over the period 2003 until mid-2013.

The key results of the analysis are as follows:

- Irish households appear more sensitive to deposit rates during normal times
- Irish households responded positively when banks varied rates relative to competitors but this result only remains significant up to end-2007.
- Between 2008 and mid-2013, Irish households did not appear to respond to average deposit rate differentials across the banks.
- From late-2008 to mid-2013, new business deposit rates were higher than market rates with a three-month maturity. The spread between these rates peaked in April 2012 and subsequently declined, reflecting in part some banks’ recognition of the unsustainable impact on profits.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Statistics on Securities Issues of Irish Resident Entities - February 2014

10 April 2014

Trends in Market-based Financing of all Irish-resident Entities

- The outstanding amount of debt securities issued by Irish firms, and by the Government sector was €872.7 billion at end-February 2014, a decrease of 5.5 per cent year-on-year. The outstanding amount of debt securities issued by euro area residents decreased by approximately 0.4 per cent.
- Market-based debt financing for the banking sector stood at €72 billion in February 2014, a decrease of 13.5 per cent year-on-year.
- Equity shares had an outstanding value of almost €294.8 billion at end-February. Quoted shares (€294.4 billion), which are predominant in the equity category, saw a year-on-year increase of 33.5 per cent. The value of the stock of quoted shares issued by euro area residents increased by approximately 24 per cent.

Banking Sector

Market-based debt financing for the banking sector increased by approximately €600 million in February 2014 (compared to €2.5 billion in January). This increase primarily reflected net issuance of short-term debt securities.

Approximately €21.6 billion (or 30 per cent) of the total debt securities issued by the banking sector will fall due within the next 12 months.

Since February 2013, the outstanding amount of debt securities for this sector has decreased by 13.5 per cent to €72 billion with short-term debt contracting by 33 per cent. Over the past 12 months, the total outstanding amount of debt securities for this sector across the euro area decreased by approximately 8 per cent.

The market value of equity securities in the banking sector saw a year-on year increase of 50 per cent[1] to €24.6 billion.This increase is primarily as a result of valuation changes.

Non-Financial Corporations

The outstanding amount of debt securities issued by non-financial corporations (NFC) decreased to almost €3.8 billion in February 2014[2].

Approximately €272 million (or 7 per cent) of the total debt securities issued by NFCs will fall due within the next 12 months.

In February 2014, the value of the quoted shares issued by the NFC sector increased by 5 per cent to €251.9 billion. This represented a year-on-year increase of 33 per cent. The annual percentage change in market capitalisation for NFCs in the euro area was approximately 20 per cent.

[1] As per compilation methodology utilised by the Central Bank of Ireland

[2] The Amount Outstanding decreased in February 2014 following acquisition activity and corporate restructuring. This figure is provisional and subject to review.

[3] An ISIN code is a unique identifier assigned to an individual security.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

NPP Warns Businesses to Prepare for E-Day

10 April 2014

The National Payments Plan (NPP) is warning businesses that Government departments, local authorities and other State agencies will stop sending and receiving cheques from businesses from 19 September 2014 or e-Day.

e-Day is an important part of the NPP plan to reduce costs and improve cash-flow in the Irish economy. e-Day was launched in September last year, to give businesses and public sector bodies 12 months to prepare for the smooth transition to electronic payments. Cheque usage has halved in Ireland since 2005 but Irish businesses still write 33 million cheques every year.

NPP Programme Manager Ronnie O'Toole said: "Businesses and consumers will benefit when Ireland reduces its dependence on cheque and cash payments, to safer and more efficient electronic payments. Cheques are an expensive means of payment for businesses because of bank charges, stamp duty, postage, time spent making lodgements, unpaid cheques, and the 'cheque is in the post' culture of late payments."

Businesses in most other EU countries have stopped using cheques. The NPP estimates that savings of up to €1 billion per annum can be made if Ireland were to match best practice in Europe by migrating away from cheques and cash in favour of electronic payments. This will result in reduced costs and improved cash-flow for both the business sector and consumers.

Businesses are advised to prepare for e-Day by discussing payment solutions with their contracting Government body and their banks.

e-Day will not affect consumer cheque usage, such as social welfare payments or pension payments.

ENDS

Further information: Press Office (01) 224 6299

Notes to Editor

The National Payments Plan was launched on 24 April 2013 with the following recommendations:

1. Cheques: A date will be set in 2014 at which time the public sector will no longer write or accept cheques to/from business users. The aim of this is to encourage SMEs to migrate from cheque usage;
2. New ways to pay: Make new technologies, such as mobile payments and contactless cards, generally available in Ireland;
3. Social Welfare: The modernisation of Social Welfare payments, with half of all payments currently being cash-based;
4. Cash cycle review: The national cash cycle will be reviewed in full to identify cost savings, and will include a rounding trial which could reduce the use of 1c and 2c coins;
5. €10s in ATMs: Increase the dispensing of €10 notes in ATMs;
6. Pricing: The fees consumers and merchants pay for payments should be set to appropriately incentivise them to use the most efficient forms of payment; and
7. Education: A broad education and support campaign is needed to drive a change in payment habits among many consumers and business.

On 14 March 2014 the NPP announced the results of the Wexford Rounding Trial of 1c and 2c coins. Based on the outcome of this trial the NPP has recommended to the Minister for Finance that rounding is rolled out nationally.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Holders of Irish Government Bonds

11 April 2014

Breakdown of Holders of Government Bonds

- The Central Bank of Ireland is today (11 April 2014) introducing an enhanced dataset on the holders of Irish government bonds.
- Total outstanding stock of government bonds at end February 2014 stood at €111,851 million.
- Resident holders accounted for 48.6 per cent of Irish government bonds with the credit institutions and the Central Bank accounting for 91 per cent of these resident holders.

The Central Bank of Ireland, today, publishes an enhanced dataset[1] of the holders of Irish government Bonds. This has arisen due to the introduction of the Securities Holdings Regulation by the ECB in December 2013. This requires all custodians resident in Ireland to report their holdings of securities on behalf of investors to the Central Bank. Information from custodians is used in conjunction with direct reporting from end-investors, and information from the Government Bond Register held by the Central Bank to provide breakdowns by maturity and by holding sector[2]. The enhanced statistics allow greater insight into resident holders and will facilitate the publication, in future, of a more detailed breakdown of securities held by custodians on behalf of investors in Ireland. As the new data series is based on different source information, it is not directly comparable with previous publications. Care should, therefore, be exercised in comparing the new series with previous publications. A separate data series is therefore being introduced commencing with data for February 2014.

Outstanding government bonds stood at €111,851 million in February 2014, with 16 per cent due to mature in the next three years.

At end-February 2014, Irish resident investors held 48.6 per cent of long-term Irish government bonds. The Irish banking sector, including the Central Bank of Ireland, accounts for 91 per cent of this resident holding.

The resident non-bank financial sector reported holding €3,019 million in February 2014 of which 40 per cent of this sector was held by other financial intermediaries.

Within the non-bank financial sector, the custodian data assists in gaining further insight into the holdings of the insurance sector. It held €921 million with custodians as at end-February 2014.[3]Regarding Pension Funds, €887 million was held with custodians as at end-February.

Approximately 27 per cent of all resident holdings will mature within the next 5 years. Furthermore, 15.5 per cent (or €12.7 billion) of long-term bonds held by non-resident investors will mature after 2020.

[1] Please see explanatory notes for further information

[2] Data are collected from custodians resident in Ireland only. The data may, therefore, be impacted by shifts in holdings between resident and non-resident custodians.

[3] There is no direct reporting to the Statistics Division by insurance companies or pension funds resident in Ireland and therefore this figure only includes those holdings held by resident custodians on behalf of insurance companies or pension funds.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Retail Interest Rate Statistics: February 2014

11 April 2014

Key Developments:

- The interest rate on new loans to households for house purchase, with either a floating rate or short-term rate fixation, increased by 14 basis points to 3.15 per cent at end-February 2014. Rates on outstanding loans for house purchase remained unchanged from the previous month, at 2.79 per cent.
- The weighted average interest rate on total outstanding household term deposits continued to decline to 2.09 per cent at end-February; this series has been in constant decline since May 2012. Over the past number of months, there has been evidence of movement in household deposits from medium-term categories towards the overnight category, highlighting the low deposit rates currently on offer across all maturities.
- New business rates for non-financial corporation (NFC) loans of less than €1 million[1] increased by 18 basis points to 4.95 per cent at end-February, some 116 basis points higher than the equivalent euro area rate. These rates continued to be volatile due to the low volumes of new business.
- The weighted average interest rate on outstanding NFC term deposits decreased by 1 basis point to 1.42 per cent at end-February; the rate offered on new NFC term deposits was considerably lower, recording an increase of one basis point to 0.44 per cent at end-February.

Households

Loans to Households

The interest rate on **new loan agreements to households for house purchase**, with either a floating rate or initial rate fixation of up to one year, was 3.15 per cent at end-February 2014. This represents a 14 basis point increase from the end-January rate and partly reverses the month-on-month fall recorded in January. The corresponding end-February interest rate for the euro area was 36 basis points lower at 2.79 per cent.

Floating rate loans accounted for 84 per cent of all new mortgage business in the domestic market over the past year. In contrast, floating rate loans in the euro area accounted for 27 per cent of new mortgage business over the same period.

The weighted average interest rate on **outstanding loans to households for house purchase** remained relatively constant over the month, standing at 2.79 per cent at end-February 2014. The corresponding end-February interest rate for the euro area was higher, at 3.37 per cent. Interest rates on outstanding mortgages in Ireland have typically reflected movements in the ECB's main refinancing rate (MRO), due to the higher proportion of tracker and other variable rate mortgage products in the domestic market (Chart 1). This is illustrated by a 15 basis point fall in Irish rates compared with a one basis point increase in euro area rates since the ECB cut its MRO rate in November.

The weighted average interest rate on new loans to households for non-housing purposes rose by 166 basis points over the month, to stand at 7.91 per cent. This monthly increase was entirely driven by consumption related loans. It should be noted, however, that new business volumes for loans to households for non-housing purposes have been particularly low in recent years, resulting in a volatile interest rate series.

The weighted average interest rate on outstanding amounts of non-housing related loans was 6.51 per cent in February 2014, representing a 3 basis point increase over the month and an 84 basis point rise since February 2013. This year-on-year increase was mainly driven by short-term loans for consumption and other purposes, which have an agreed maturity of up to 1 year. The corresponding rate for all non-housing loans in the euro area was lower at 5.62 per cent in February 2014.

Deposits from Households

Interest rates on **new household term deposits** remained relatively stable at end-February 2014 at 0.76 per cent. This represents a year-on-year decrease of 50 basis points. However, caution is warranted in the interpretation of new deposit business, as volumes also include existing deposit agreements renegotiated during the month.

The weighted average interest rate on total **outstanding household term deposits** continued to fall in February to 2.09 per cent, representing a 144 basis point drop since their last increase in April 2012. Developments have been mainly driven by declining rates in medium-term deposits (agreed maturity up to two years). Over the past number of months, there has been a discernible movement of deposits from the medium-term category towards the overnight category, highlighting the low interest rates currently on offer. At end-February 2014, interest rates on redeemable at notice products stood at 1.09 per cent, having remained broadly stable since mid-2013.

Non-Financial Corporations (NFCs)

Loans to NFCs

The weighted average interest rate on new loan agreements to NFCs up to €1 million (often used as a proxy for SME lending), increased by 18 basis points over the month to 4.95 per cent at end-February. The corresponding interest rate charged by euro area credit institutions for February was 116 basis points lower at 3.78 per cent.

In terms of new business NFC loans above €1 million, the weighted average interest rate increased by 33 basis points to 3.19 per cent at end-February. New business volumes in these instrument categories are particularly low, resulting in pronounced month-on-month volatility. The equivalent euro area interest rate showed a seven basis point fall over the month to 2.24 per cent.

The weighted average interest rate on outstanding loans to NFCs issued by Irish-resident credit institutions increased by one basis point to 3.04 per cent at end-February 2014 (Chart 2). Interest rates in this category have remained relatively stable over the past year, showing a twelve-month average of 3.03 per cent. The equivalent euro area weighted average interest rate for the month of February was 3.31 per cent.

Deposits from NFCs

The interest rate on new NFC term deposits increased by one basis point to 0.44 per cent at end-February 2014. This rate has been relatively constant over the past year, recording a twelve month average of 0.48 per cent. The equivalent monthly rate offered by euro area credit institutions was higher at 0.70 per cent at end-February 2014.

The weighted average interest rate on outstanding NFC term deposits declined by one basis point during February 2014 to 1.42 per cent. This represents a fall of 78 basis points since February 2013. Annual developments were driven by deposits with agreed maturity of up to two years, which accounted for 95 per cent of all NFC term deposits over the year.

Note:

Retail Interest Rate Statistics cover all euro-denominated lending to, and deposits from, households and non-financial corporations (NFCs) in the euro area by credit institutions resident in Ireland. Interest rates on outstanding amounts cover all loans and deposits outstanding on the last working day of the month, while interest rates applicable to new business volumes cover all new loan and deposit business agreed during the month.

For retail interest rate statistics purposes, new business is defined as any new agreement between the customer and the credit institution. This agreement covers all financial contracts that specify, for the first time, the interest rate of the deposit or loan, including any renegotiation of existing deposits and loans. Automatic renewals of existing contracts, which occur without any involvement by the customer, are not included in new business. New business volumes have been exceptionally low in various instrument categories during the last number of months. Low volumes of this nature can result in increased volatility within the interest rate series.

[1] The weighted average interest rate on new loans to NFCs, up to €1 million, is often taken as a proxy for the prevailing rate applicable to SME lending.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Central Bank of Ireland Issues Warning on Unauthorised Investment Firm

23 April 2014

The Central Bank of Ireland ('Central Bank') today (23 April 2014) published the name of an unauthorised investment firm, **Wilkins Capital Group (USA). Wilkins Capital Group (USA)** is not authorised as an investment firm by the Central Bank.

It is a criminal offence for an unauthorised person or firm to provide financial services in Ireland that would require an authorisation under the relevant legislation for which the Central Bank is the responsible body for enforcing. Consumers should be aware that, if they deal with a firm which is not authorised, they are not eligible for compensation from the Investor Compensation Scheme.

Any person wishing to contact the Central Bank of Ireland with information regarding such firms may telephone (01) 224 4000. This line is also available to the public to check if a firm is authorised. Since obtaining the necessary legal powers in August 1998, the names of 225 unauthorised persons or firms have been published by the Central Bank.

Notes to editors:

The name of the above firm is published under the Central Bank (Supervision and Enforcement) Act 2013.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Money and Banking Statistics: March 2014

30 April 2014

Credit to households and non-financial corporations continues to contract on an annual basis, as repayments exceed new lending. Irish resident private-sector deposits also declined on an annual basis, and recorded a net outflow of €1 billion in March.[1]

Loans and other credit

- Household loan repayments exceeded drawdowns by €85 million during March 2014, following a net monthly decrease of €402 million in household loans in February. Developments in March reflect a small decline across all categories of household loans, with the most substantial decrease seen among loans for consumption purposes, which fell by €48 million over the month.
- On an annual basis, lending to Irish households continued to fall, decreasing by 3.8 per cent in March 2014. Loans for house purchase, which account for 78 per cent of total household loans, declined at an annual rate of 3.1 per cent. Lending for consumption and other purposes declined by 6.2 per cent over the year.
- Non-financial corporation (NFC) loan repayments exceeded drawdowns by €520 million in March 2014; this represents the sixteenth consecutive monthly decline in NFC loans. Developments in March reflect a decline in medium-term and long-term NFC loans of €396 million (2 per cent) and €145 million (0.4 per cent), respectively, which were only partly offset by an increase in short-term loans of €20 million.
- Lending to Irish resident NFCs reported a year-on-year decline of 6.1 per cent in March 2014, following an annual decrease of 5.8 per cent in February. All maturity categories recorded declines over the year. The decline was most pronounced for medium-term loans which fell by 9.9 per cent. More modest declines of 6 per cent and 3.1 per cent were recorded respectively for long-term and short-term NFC loans.
- Credit institutions’ holdings of debt and equity securities issued by the Irish private sector decreased by €3.1 billion during March 2014, following a decrease of €103 million in February. This brought the annual rate of decline at end-March to 12.7 per cent. Developments in March were almost entirely attributable to a decline in holdings of debt securities issued by the other financial intermediaries (OFIs) sector, and reflected redemptions of bonds, largely by the domestic market group of institutions[2].

Deposits and other funding

- Irish resident private-sector deposits fell by €1 billion during March 2014, reflecting a fall in deposits from the NFC sector of €980 million. Deposits from Irish resident households and insurance corporations and pension funds (ICPFs) also fell during the month, by €105 million and €195 million respectively, while deposits from OFIs increased by €262 million.
- Looking at the maturity breakdown, deposits with agreed maturity up to two years declined by €681 million during March. This reflects a decline of €306 million among the household sector. Medium-term deposits also fell in the NFC and ICPF sectors, by €212 and €214 million, respectively.
- Overnight deposits, which include current accounts, fell by €363 million in March 2014. Deposits in this category from the NFC sector declined by €794 million over the month. This was partly offset by increases in all other sectors, including an increase of €229 million in household overnight deposits.
- Deposits with agreed maturity over two years decreased by €54 million during March. The largest decrease was recorded by the household sector, where longer-term deposits fell by €77 million. NFC and ICPF deposits in this category also declined, by more modest amounts of €7 million and €9 million, respectively. Meanwhile, longer-term deposits from OFIs increased by €39 million during March.
- On an annual basis, deposits from the Irish resident private sector declined at a rate of 0.1 per cent in March 2014, following a rise of 7.7 per cent in February. NFC deposits increased over the year by 10.4 per cent, while deposits from ICPFs and households declined by 18.1 per cent and 1.1 per cent, respectively.
- The annual rate of change in OFI deposits was -0.3 per cent in March, compared to an annual increase of 37.9 per cent in February. This development is due to base effects, driven by a transaction in March 2013 related to the liquidation of the Irish Bank Resolution Corporation (IBRC). IBRC's liability to the Central Bank of Ireland was replaced by a liability to the National Asset Management Agency (NAMA), classified as an overnight deposit. This position will be unwound as the assets which currently remain on the IBRC balance sheet are transferred.
- Non-resident private-sector deposits increased by €481 million during March 2014, following a €473 million decrease in February. Developments in March were mainly driven by a €324 million increase in private sector deposits from non-euro area residents, while private-sector deposits from other euro area residents increased by €157 million. In annual terms, private-sector deposits from other euro area residents decreased by 7.6 per cent and deposits from non-euro area residents increased by 1.3 per cent.
- Credit institutions' borrowings from the Central Bank as part of Eurosystem monetary policy operations fell by €3.1 billion in March

2014. The outstanding stock of these borrowings amounted to €33.5 billion at end- March. The domestic market group of credit institutions accounted for €26.2 billion of this total outstanding stock and current levels represent the lowest level of reliance on central bank funding since August 2008.

Note

Money and Banking Statistics currently include an aggregate balance sheet for the entire population of resident credit institutions, reported in Table A.4. Please note that the composition of the subsets of the population reported in Tables A.4.1 and A.4.2 have been updated as follows:

A.4.1 – Domestic Market Group: Institutions whose ultimate parent entity is resident in Ireland (including credit unions), or which have a significant (>20 per cent) level of business with Irish households and non-financial corporations in terms of their overall resident business activity.

A.4.2 – Irish-Headquartered Group: Institutions whose ultimate parent entity is resident in Ireland. This includes all credit unions.

A full list of credit institutions resident in the Republic of Ireland, as well as the subset of institutions that comprise the Domestic Market Group, are available in the Credit, Money and Banking section of the Central Bank website.

[1] Money and Banking statistics are compiled in respect of business written out of all within-the-State offices of both credit institutions authorised to carry on banking business in the State under Irish legislation and credit institutions authorised in other Member States of the EU operating in Ireland on a branch basis. Credit institutions authorised in other EU Member States operating in Ireland on a cross-border basis, i.e. with no physical presence in the State, are not included in the statistics.

[2] The domestic market group of credit institutions are those who have a significant level of retail business with Irish households and NFCs, and would exclude the more internationally focused banks in the IFSC.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Central Bank Issues Commemorative Battle of Clontarf Coin

30 April 2014

The Central Bank of Ireland today (30 April 2014) launched a €20 limited edition Gold Proof collector coin to mark the 1000th anniversary of the Battle of Clontarf.

The coin features a carved portrayal of High King of Ireland Brian Ború and the words ‘Clontarf 1014’.

As with all circulating and collector coins, the obverse bears the traditional representation of the Irish harp, known as the Brian Ború Harp.

Speaking at the launch at the National Museum of Ireland, who are currently marking the 1000th anniversary of the Battle of Clontarf with their ‘Brian Ború and the Battle for Dublin’ exhibition, Central Bank Director Fiona Muldoon said: “This little golden coin marks the millennium of one of the great milestones in Ireland’s history. The Battle of Clontarf was not just an important event itself but was also an inspiration for future generations.”

The coin, which was designed by Irish sculptor Noel Hoare, is part of the Smallest Gold Coin in the World Series and is limited to 12,000 units.

The coin will be available to the public from Thursday 1 May 2014.

Notes to Editors:

In early September 2014 the Central Bank will issue a €15 Silver Proof Coin commemorating John Philip Holland, inventor of the first modern submarine.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Central Bank Publishes Review of the Credit Union Sector

2 May 2014

The Central Bank of Ireland has today published a paper, circulated this week to credit unions and their trade bodies, on the findings of its assessment of governance and risk management standards and practices across the sector. During the course of its PRISM risk assessment engagements the Central Bank identified areas of best practice which set standards for the sector, alongside a number of specific areas for development.

In the course of the review the Central Bank found a number of credit unions had sound standards and good practices, were prudently managing risks, and had embedded sound risk management and compliance practices. These credit unions could become models for the wider sector to follow.

However the review found a number of issues in credit unions which require improvement. Since commencing risk-based supervision of credit unions in May 2012, the Central Bank has completed on-site risk assessment engagements with almost 200 credit unions representing approximately three quarters of the sectors total assets and savings. These credit unions have been issued with risk mitigation programmes requiring them to address the issues.

Governance, credit, operational and strategy/business model risk accounted for eight out of ten of the material risks issues needing remediation with weaknesses in governance and credit highlighted as areas requiring improvement.

Director of Credit Institutions and Registrar of Credit Unions, Sharon Donnery, said: 'Our first cycle of risk-based engagements has provided us with deeper insight into the specific issues and challenges facing the credit union sector, in particular the nature of some weaknesses which require improvements in standards and practices. We have found some individual credit unions with good standards and prudent strategies, and see these credit unions as setting the standard which the wider sector can build on. The Central Bank will continue to work with the sector to assist it in addressing these challenges and continuing to develop it to the highest standards. We experienced good levels of cooperation from the sector, and in most cases boards and management considered the review a challenging and fair process, from which they developed a better understanding of our expectations for sound governance and managing risk and the scale of transformation needed under a strengthened regulatory framework.

'While recognising the importance of the sector nationally in providing financial services, credit unions are responsible for safeguarding and protecting members funds and ensuring they are not put at risk. Compliance with the legal and regulatory standards developed for the sector is a fundamental basis for any credit union in meeting this responsibility. Where we found that these standards were not in place, credit unions' boards and management have been required to make improvements to their governance and risk management systems.'

The Central Bank has published the outcomes of the review on its website as an essential guide to boards and management as they implement their risk management frameworks and compliance programmes.

Notes to Editors:

Risk based supervision, carried out through the PRISM framework is fundamental to the Central Bank's statutory mandate to ensure that each credit union is protecting the funds of its members and meeting its regulatory obligations.

Under PRISM, regulated firms are grouped into four separate impact categories. Three of these impact categories currently apply within the credit union sector; Medium High, Medium Low and Low.

For Medium High and Medium Low credit unions risk-based supervision includes off-site reviews, on-site meetings and 'Full Risk Assessment' engagements through risk is assessed across ten PRISM risk categories.

The engagement process involves requesting and analysing a significant amount of information from credit unions in preparation for supervisory on-site risk assessment visits. In the course of these supervisors meet with boards, oversight committees and management teams. Supervisors expect to engage in productive, forward looking, risk-based dialogue concerning the credit unions significant business activities, material business risks, strategy and business model.

Through this process supervisors form judgments on the material risks posed and issue credit unions with Risk Mitigation Programmes in which they set out their risk assessment and outline the actions that need to be taken to address any risks we find too high.

Supervisory expectations of Low impact credit unions are the same as those of their higher impact peers in terms of standards of governance, risk management and compliance appropriate for the scale and complexity of the credit union, and at all times adequate, to effectively protect member's savings and provide and support prudent lending and investment practices.

For Low impact credit unions PRISM applies through off-site monitoring of key financial data and risk indicators. Cognisant of their scale and complexity, this proportionate approach is to adopt a reactive response to issues arising from deterioration in key risk metrics which can necessitate an on-site engagement.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Increasing Numbers Choosing to Switch Current Accounts

6 May 2014

The Central Bank of Ireland today (6 May 2014) releases, for the first time, figures capturing the number of current accounts being switched by consumers under the Code of Conduct on the Switching of Current Accounts with Credit Institutions (the Switching Code).

The switching figures reveal that the overall number of customers switching accounts into credit institutions in the second half of 2013 was 9,833, an increase when compared to the first half of 2013.

Director of Consumer Protection, Bernard Sheridan, said: “These new figures show that, while low, an increasing number of consumers are availing of the Central Bank’s Switching Code to manage the changeover when switching current accounts. Factors which appear to be influencing the choices that consumers are making include: changing fees and charges; service issues; and announcements regarding the withdrawal of current account providers from the market.”

All credit institutions providing current accounts in Ireland are subject to the Switching Code, which was introduced by the Central Bank in October 2010. Its purpose is to make the process of switching current accounts easier and quicker for consumers.

The Switching Code sets out mandatory procedures that must be followed by credit institutions when a consumer decides to switch their current account from one credit institution to another. Key steps which consumers should be aware of are as follows:

- Once the consumer selects a new credit institution, this credit institution must then provide the consumer with a switching pack which sets out a description of all current accounts being offered by the institution as well as a step-by-step guide to switching.
- The new credit institution should agree a switching date with the consumer for the switching process to start, ideally at a time in the month when there is least activity on the account.
- The new credit institution will ask the consumer to complete an account transfer form and will then forward the completed form to the old credit institution to help make the switching process smoother.
- The new credit institution must ensure that the consumer’s new account is up and running within 10 working days of the agreed switching date.

ENDS

Further information: Press Office: (01) 224 6299

Notes to editors:

Statistics are submitted by credit institutions on switches carried out under the Switching Code. From H1 2013, firms submitted the switching statistics directly to the Consumer Protection Directorate. Prior to H1 2013, firms with current accounts submitted the statistics to the Irish Banking Federation (IBF).

	Switched in*	Switched out**
H2 - 2013	9,833	10,733
H1 - 2013	4,516	4,241
H2 - 2012	4,314	4,446
H1 - 2012	3,814	3,922
H2 - 2011	2,147	1,955
H1 - 2011	2,715	2,698

*This is the total number of accounts (as defined in the Switching Code) that were transferred into the credit institutions in the reporting period.

**This is the total number of accounts (as defined in the Switching Code) that were transferred out of the credit institutions in the reporting period.

Based on the data provided by the eight credit institutions for H2 – 2013 there are 5,429,498 current accounts in operation between the institutions, resulting in switching in of 0.18% of their current accounts, and switching out of 0.19% of their current accounts in the reporting period.

The National Consumer Agency provides cost comparisons on www.consumerhelp.ie which allows consumers to compare fees and charges for current accounts in the market.

The 2010 Code of Conduct on the Switching of Current Accounts with Credit Institutions (the Switching Code) applies to the switching of current accounts between credit institutions regulated by the Central Bank of Ireland. The credit institution to which a consumer intends to switch account to must ensure that the switch is completed within 10 working days of the “switching date”. The credit institution where an existing account is held must ensure that the switch is completed within 7 working days of the switching date.

This Code applies where:

(i) **a consumer** is switching a current account denominated in euros held with a **credit institution**, to a current account with another **credit institution**; and (ii**) a consumer** is switching the active **direct debits** and standing orders **on a current account** to another existing current account with a different **credit institution**, and both **credit institutions** are located in the State.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Central Bank Publishes Reserving Requirements for Non-Life Insurers and Non-Life and Life Reinsurers

7 May 2014

The Central Bank of Ireland has published Reserving Requirements for Non-Life Insurers and Non-Life and Life Reinsurers ("the Requirements"). The purpose of the Requirements is to strengthen the reserving framework for non-life insurers and non-life and life reinsurers. The Requirements set out a series of requirements in areas such as the role of Signing Actuary, internal and external audits, reserving policy and issues which should be considered by the Boards when setting the margin for uncertainty.

The Central Bank has also published the Guidance on Best Estimate and Margin for Uncertainty and the Feedback Statement containing the feedback received from industry following the publication of Consultation Paper CP 73 in September 2013. The Feedback Statement includes the Central Bank's response on the matters raised within the industry feedback.

The Requirements are being introduced on a statutory basis as a condition of authorisation and are effective for the financial years ending on or after 31 December 2014.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Quarterly Financial Accounts: Q4 2013

8 May 2014

Quarterly Financial Accounts present a complete and consistent set of quarterly data for all resident institutional sectors in Ireland. They provide comprehensive information not only on the economic activities of households, non-financial corporations, financial corporations and Government, but also on the interactions between these sectors and the rest of the world. Transactions presented in this commentary are based on four-quarter moving averages, so as to smooth seasonality within the data.

Results summary:

Household Debt Continues to Fall during Q4 2013

- Household debt declined by €2.4 billion during Q4 2013, falling to €166 billion or €36,203 per capita. This marked the largest decrease in debt since Q4 2012.
- Household debt sustainability improved significantly during Q4 2013. Debt as a proportion of disposable income declined by 3.5 percentage points to 192 per cent. The decline largely reflected the reduction in household debt, as well as, to a lesser extent, a slight increase in disposable income.
- Household net worth rose by a further 2.9 per cent during Q4 2013. By the end of the quarter, it stood at €504.2 billion, equivalent to €109,771 per capita. Net worth has been on an upward trend since Q3 2012.
- The domestic economy continued to be a net lender during Q4 2013, albeit to a slightly lesser extent than Q3.
- Government net financial wealth increased by €1.8 billion during Q4 to reach - €146.1 billion, representing the first increase since Q4 2009.
- Non-financial corporation debt as a percentage of GDP increased in Q4 2013 by 4.5 percentage points to reach 218 per cent. This marked the first quarter where debt rose since Q3 2012.

1. Net Lending/Borrowing of All Sectors[1]

The domestic economy continued to be a net lender during Q4 2013, albeit to a slightly lesser extent than Q3. Over the quarter the combined deleveraging by households and non-financial corporates outstripped the net borrowing of government (Chart 1.1). This is the third consecutive quarter where the domestic economy was a net lender.

2. Private Sector Debt

Private sector non-consolidated debt[2] to GDP increased by 3.4 percentage points during Q4 2013 to stand at 319.1 per cent of GDP (Chart 2.1). This represented a rise in debt of €3.9 billion over the quarter. It marked the first upward trend in debt since Q2 2012. This increase in private sector indebtedness over the quarter reflected higher non-financial corporate (NFC) debt which was mitigated to some extent by the continued decline in household debt. A decrease of 0.3 per cent in GDP, as measured by a 4 sum moving average, also contributed to the rise in the debt to GDP ratio during Q4.

Private sector indebtedness forms part of the EU Commission’s scoreboard of macroeconomic imbalances. The Commission sets an indicative threshold of 160 per cent of GDP for private sector debt sustainability, substantially lower than Ireland’s 319.1 per cent. However, this threshold does not take account of the size of the MNC sector in Ireland relative to GDP.[3]

3. Household Sector

Household debt declined by €2.4 billion during Q4 2013, falling to €166.2 billion or €36,203 per capita. This marked the largest decrease in debt since end-2012 (Chart 3.1). The decline represented net repayments of debt by households (€0.6 billion), loan reclassifications and loan write-downs. Overall, debt has fallen by 18.3 per cent since its peak at end-2008.

Indicators of household debt sustainability significantly improved during Q4 2013 (Chart 3.2). Debt as a proportion of disposable income declined by 3.5 percentage points, falling to 191.8 per cent. The decline largely reflected the reduction in household debt and, to a lesser extent, a slight increase in disposable income. This measure of household debt sustainability was at its lowest level since Q3 2006 but continues to remain high by international standards[4]. Household debt to total assets fell by 0.8 percentage points to 24.4 per cent. The decline was driven by both the decrease in debt and an increase in the value of household assets.

Household net worth rose by a further 2.9 per cent during Q4 2013 (Chart 3.1). By the end of the quarter, it stood at €504.2 billion, equivalent to €109,771 per capita. Net worth has been on an upward trend since Q3 2012. It, however, still remains 29.9 per cent lower than its peak at Q2 2007.

The continuing improvement in in the net worth of households largely reflected a further rise in the value of housing assets (+€8.7 billion). Increases in the value of financial assets (+€3.1 billion) and further reductions in liabilities (-€2.4 billion).

Household investment in financial assets remained relatively unchanged during Q4 2013, totalling €0.3 billion (Chart 3.4). New in-flows into ‘currency and deposits' fell to its lowest since Q2 2012. There was a marginal increase in investment in 'insurance technical reserves'. Households continued to reduce investment in 'shares and other equity'.

Household net lending declined slightly during Q4 2013 to €1.73 billion, when measured as a four quarter moving average (Chart 3.5). This decrease was attributable to slightly lower debt repayments and a marginally reduced investment in financial assets over the quarter. Households have been net lenders since Q1 2009, as they continue reducing the debt incurred prior to the financial crisis.

Combining household saving and gross capital formation[5] data from the CSO's non-financial accounts with households' transactions data from Central Bank of Ireland's Quarterly Financial Accounts allows for a decomposition of how households use their savings[6]. Chart 3.6 shows that, when measured as a four quarter moving average, household savings remained largely unchanged during Q4 2013, rising by just €90m. The rise was due to increased investment in gross fixed capital formation, such as housing and related improvements. This was largely offset by reduced investment in financial assets, and slightly lower net debt repayment.

4. Government Sector

Government liabilities increased by €396 million to €231.6 billion during Q4 2013 (Chart 4.1). The rise in Government liabilities occurred despite an overall net redemption in securities of €7 billion. The increase reflected a rise in the market value of the securities due to decreasing bond yields. Quarterly Government Debt (QGD), which is the standard quarterly measure of debt consistent with Excessive Deficit Procedure (EDP)[7] methodology, declined by €1.6 billion, reaching €202.9 billion, largely as a result of bond redemptions. This is the first decline in QGD since Q2 2010. QGD is measured at nominal value, whereas Government liabilities are measured at market value.

Government net financial wealth increased by €1.8 billion during Q4 to reach -€146.1 billion, representing the first increase since Q4 2009 (Chart 4.2). This reflected an increase in financial assets of €2.2 billion, which was largely driven by positive 'other changes and revaluations' of shares and other equity. The impact of this rise in financial assets on net financial wealth was partially offset by the €0.4 billion increase in liabilities. Overall, net financial wealth has fallen by nearly €145 billion since Q4 2007.

5. Non-Financial Corporate Sector

Non-financial corporation (NFC) debt as a percentage of GDP increased in Q4 2013 by 4.5 percentage points to reach 218 per cent (Chart 5.1). This marked the first quarter where debt rose since Q3 2012. NFC debt grew by €6.3 billion over the quarter to reach €357 billion. The increase in NFC debt largely reflected the new borrowing (+€5.2 billion) and positive 'other changes and revaluations'[8] (+€3.6 billion). This was largely offset by negative 'other changes and revaluations' (-€1.6 billion) as well as, reduced funding of securities (-€800 million).

Irish NFCs continued to be the second most indebted in the EU during Q4 2013 (Chart 5.2). Irish NFC debt was 103 per cent lower than Luxembourg, which had the most indebted NFCs amounting to 321 per cent of GDP. When comparing NFC debt across countries, it is important to note that both Luxembourg and Ireland have substantial multinational corporation activities relative to the size of their economies[9].

NFC debt relative to its financial assets and liabilities continued its downward trend during Q4 2013 (Chart 5.3). Both indicators have declined every quarter since Q3 2012. Debt as a percentage of financial assets fell to 47.8 per cent, due to the large rise in NFC financial assets of €55 billion caused by positive market prices and other changes, plus merger and acquisition activities. Debt relative to total liabilities decreased to 36 per cent, due to the growth in NFC total liabilities of €47 billion, which was more biased towards the use of alternative funding such as 'shares and equity' and 'other accounts payable'.

NFCs have been net lenders since Q3 2010 (Chart 5.4). At Q4 2013, net lending amounted to €3.1 billion. NFCs continued to be net lenders, as their acquisition of financial assets (€9.3 billion) over the quarter, outstripped their incurrence of liabilities (€6.2 billion).

6. Further information

Euro area statistics are available from the ECB website at: www.ecb.int.

[1] A positive value indicates that a sector is a net lender and a negative value indicates that a sector is a net borrower. Overall, the sum of net lending/borrowing of all sectors will sum to zero as, for every lender, there must be a corresponding borrower.

[2] Debt is comprised of debt securities and loans.

[3] The private sector debt indicator is examined in M. Cussen (2014) 'Deciphering Ireland's Macroeconomic Imbalance Indicators', Central Bank of Ireland Conference – Macro to Micro – A New Era in Financial Statistics.

[4] A cross country comparison for Q2 2013 is contained in A. Kelly and O' Leary B. (2014) 'Box B: Analysis of Recent Trends of Household Debt Reduction'. Central Bank of Ireland, Quarterly Bulletin, Q1.

[5] Gross capital formation consists of acquisitions of fixed assets less disposals. It includes acquisitions of dwellings.

[6] The derivation of savings from a non-financial accounts perspective and a financial accounts perspective is elaborated upon further in M. Cussen, O' Leary B., Smith D. (2012), 'The Impact of

the Financial Crisis on Households: a Cross Country Comparison', Central Bank of Ireland, Quarterly Bulletin No. 2.

[7] Government liabilities in QFA differ from the EDP measure of debt as they are calculated on a non-consolidated basis, and employ different coverage and valuation criteria.

[8] Other changes and revaluations include the effects of statistical re-classifications, changes in definitions, write-offs, revaluation effects and exchange rate effects.

[9] The impact of MNCs on NFC debt is analysed in detail in: Cussen M., and O' Leary B. (2013), 'Why are Irish Non-Financial Corporates so Indebted?', Central Bank of Ireland, Quarterly Bulletin No. 1.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Retail Interest Rate Statistics: March 2014

9 May 2014

Key Developments

- The interest rate on new loans to households for house purchase, with either a floating rate or short-term rate fixation, increased by 7 basis points to 3.22 per cent at end-March 2014. Rates on outstanding loans for house purchase rose by 2 basis points over the month to stand at 2.81 per cent.
- The weighted average interest rate on total outstanding household term deposits continued to decline to 2.03 per cent at end-March, declining since May 2012. Over the past number of months, there has been evidence of household deposits moving from medium-term categories towards the overnight category, highlighting the low deposit rates currently on offer across all maturities.
- New business rates for non-financial corporation (NFC) loans of less than €1 million[1] fell by 14 basis points to 4.81 per cent at end-March, some 105 basis points higher than the equivalent euro area rate. These rates continue to be volatile due to the low volumes of new business.
- The weighted average interest rate on outstanding NFC term deposits decreased by 5 basis points to 1.37 per cent at end-March. The rate offered on new NFC term deposits was considerably lower, recording a four basis point decrease to 0.40 per cent at end-March.

Households

Loans to Households

The interest rate on new loan agreements to households for house purchase, with either a floating rate or initial rate fixation of up to one year, was 3.22 per cent at end-March 2014, representing a 7 basis point increase from the end-February rate. The corresponding end-March interest rate for the euro area was 44 basis points lower at 2.79 per cent.

Floating rate loans accounted for 85 per cent of all new mortgage business in the domestic market over the past year. In contrast, floating rate loans in the euro area accounted for 27 per cent of new mortgage business over the same period.

The weighted average interest rate on outstanding loans to households for house purchase remained relatively stable over the month, standing at 2.81 per cent at end-March 2014. The corresponding end-March interest rate for the euro area was higher, at 3.33 per cent. Interest rates on outstanding mortgages in Ireland have typically reflected movements in the ECB's main refinancing rate (MRO), due to the higher proportion of tracker and other variable rate mortgage products in the domestic market (Chart 1). This is illustrated by a 13 basis point fall in Irish rates compared with a two basis point decrease in euro area rates since the ECB cut its MRO rate in November 2013.

The weighted average interest rate on new loans to households for non-housing purposes fell by 70 basis points over the month, to stand at 7.22 per cent. This monthly decrease reflects a fall in rates on consumption-related loans and loans for other purposes. It should be noted, however, that new business volumes for loans to households for non-housing purposes have been particularly low in recent years, resulting in a volatile series.

The weighted average interest rate on outstanding amounts of non-housing related loans was 6.57 per cent in March 2014, representing a 6 basis point increase over the month, and an 87 basis point rise since March 2013. This year-on-year increase was mainly driven by short-term loans for consumption and other purposes, which have an agreed maturity of up to 1 year. The corresponding rate for all non-housing loans in the euro area was lower at 5.55 per cent in March 2014.

Deposits from Households

Interest rates on new household term deposits remained at 0.76 per cent at end-March 2014. This represents a year-on-year decrease of 43 basis points. However, caution is warranted in the interpretation of new deposit business, as volumes also include existing deposit agreements renegotiated during the month.

The weighted average interest rate on total outstanding household term deposits continued to fall in March to 2.03 per cent, representing a 150 basis point drop since their last increase in April 2012. Developments have been mainly driven by declining rates in medium-term deposits (agreed maturity up to two years). Over the past number of months, there has been a discernible movement of deposits from the medium-term category towards the overnight category, highlighting the low interest rates currently on offer. At end-March 2014, interest rates on redeemable at notice products stood at 1.07 per cent, having remained broadly stable since mid-2013.

Non-Financial Corporations (NFCs)

Loans to NFCs

The weighted average interest rate on new loan agreements to NFCs up to €1 million (often used as a proxy for SME lending), decreased by 14 basis points over the month to 4.81 per cent at end-March. The corresponding interest rate charged by euro area credit institutions for March was 105 basis points lower at 3.76 per cent.

In terms of new business for NFC loans above €1 million, the weighted average interest rate increased by 34 basis points to 3.53 per cent at end-March. The volumes in new business categories have been particularly low, resulting in pronounced month-on-month volatility. The equivalent euro area interest rate showed a seven basis point rise over the month to 2.32 per cent.

The weighted average interest rate on outstanding loans to NFCs issued by Irish-resident credit institutions increased by seven basis points to 3.11 per cent at end-March 2014 (Chart 2). The March rate lies slightly above the twelve-month average of 3.04 per cent. The euro area weighted average interest rate for the month of March was 3.27 per cent.

Deposits from NFCs

The interest rate on new NFC term deposits decreased by four basis points to 0.40 per cent at end-March 2014. This rate has been relatively constant over the past year, recording a twelve month average of 0.45 per cent. The equivalent monthly rate offered by euro area credit institutions was higher at 0.70 per cent at end-March 2014.

The weighted average interest rate on outstanding NFC term deposits declined by five basis points during March 2014 to 1.37 per cent. This represents a fall of 73 basis points since March 2013. Annual developments were driven by deposits with agreed maturity of up to two years, which accounted for 95 per cent of all NFC term deposits over the year.

Note:

Retail Interest Rate Statistics cover all euro-denominated lending to, and deposits from, households and non-financial corporations (NFCs) in the euro area by credit institutions resident in Ireland. Interest rates on outstanding amounts cover all loans and deposits outstanding on the last working day of the month, while interest rates applicable to new business volumes cover all new loan and deposit business agreed during the month.

For retail interest rate statistics purposes, new business is defined as any new agreement between the customer and the credit institution. This agreement covers all financial contracts that specify, for the first time, the interest rate of the deposit or loan, including any renegotiation of existing deposits and loans.

Automatic renewals of existing contracts, which occur without any involvement by the customer, are not included in new business. New business volumes have been exceptionally low in various instrument categories during the last number of months. Low volumes of this nature can result in increased volatility within the interest rate series.

[1] The weighted average interest rate on new loans to NFCs, up to €1 million, is often taken as a proxy for the prevailing rate applicable to SME lending.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Central Bank of Ireland Issues Warning on Unauthorised Firm

12 May 2014

It has recently come to the Central Bank of Ireland's ('Central Bank') attention that an unauthorised firm, calling itself **China Construction Bank Mexico**, has been offering financial services to persons in the State in the absence of an appropriate authorisation. **This unauthorised firm has cloned the name of a licensed credit institution, China Construction Bank, whose European arm, China Construction Bank (London) Limited, is permitted to operate as a credit institution in the State.**

It should be noted that there is no connection whatsoever between the licensed credit institution China Construction Bank and its European arm China Construction Bank (London) Limited and the unauthorised entity that has cloned its name.

It is a criminal offence for an unauthorised firm to provide financial services in Ireland that would require an authorisation under the relevant legislation for which the Central Bank is the responsible body for enforcing. Consumers should be aware that, if they deal with a firm which is not authorised, they are not eligible for compensation from the Investor Compensation Scheme.

Certain unauthorised firms "cold call" or email consumers and offer such consumers financial services (e.g. the opportunity to purchase shares in another company). These firms will often have cloned the details of a legitimately authorised firm and will quote a "registration/authorisation" number, which is in fact, the registration/authorisation number of a legitimately authorised entity. Consumers who have been cold called/emailed and offered financial services should make additional checks to ensure that the firm they are dealing with is the legitimately authorised firm. Consumers should contact the regulatory authority that the firm has advised it is authorised by and check that the contact details for the firm, that are held by the regulatory authority, match those provided by the firm who has cold called/emailed them.

Notes to editors

The name of the above unauthorised firm is published under the Central Bank (Supervision and Enforcement) Act 2013.

Holders of Irish Government Bonds - March 2014

14 May 2014

Key Developments

- Total outstanding stock of government bonds at end March 2014 stood at €112,898 million.
- Resident holders accounted for 47.6 per cent of Irish government bonds with resident credit institutions and the Central Bank accounting for 91 per cent of these resident holders.

The Central Bank of Ireland, today, publishes the holders of Irish government Bonds[1] for March 2014. This data series was published for the first time in April 2014, listing data for the period from December 2013 to February 2014. The new series is based on different source information, so it is not directly comparable with previous publications. Care should, therefore, be exercised in comparing the new series with earlier publications.

Outstanding government bonds stood at €112,898 million in March 2014, with 12 per cent due to mature in the next three years. At end-March 2014, Irish resident investors held 47.6 per cent of long-term Irish government bonds. Resident credit institutions and the Central Bank of Ireland, account for 91 per cent of this resident holding.

The resident non-bank financial sector reported holding €2,758 million in March 2014 of which 40 per cent of this sector was held by other financial intermediaries with the balance of €1,664 million being held by insurance corporations and pension funds[2].

Approximately 25 per cent of all resident holdings will mature within the next 5 years. Furthermore, 28 per cent (or €16.7 billion) of long-term bonds held by non-resident investors will mature from 2023 onwards.

[1] This has arisen due to the introduction of the Securities Holdings Regulation by the ECB in December 2013. The dataset is compiled from data submitted by all custodians resident in Ireland, direct reporting by end investors and information from the Government Bond Register held by the Central Bank to provide breakdowns by maturity and by holding sector.

[2]There is no direct reporting to the Statistics Division by insurance companies or pension funds resident in Ireland and therefore this figure only includes those

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Security Issue Statistics – March 2014

14 May 2014

Trends in Market-based Financing of all Irish-resident Entities

- The outstanding amount of debt securities issued by Irish firms, and by the Government sector was €854.1 billion at end-March 2014, a decrease of 7 per cent year-on-year. The outstanding amount of debt securities issued by euro area residents decreased by approximately 0.7 per cent.
- Market-based debt financing for the banking sector stood at €70.4 billion in March 2014, a decrease of 13.4 per cent year-on-year.
- Equity shares had an outstanding value of almost €291.8 billion at end-March. Quoted shares (€291.5 billion), which are predominant in the equity category, saw a year-on-year increase of 31 per cent. The value of the stock of quoted shares issued by euro area residents increased by approximately 25 per cent.

Banking Sector

Market-based debt financing for the banking sector contracted by approximately €1.6 billion in March 2014 (compared to an increase of €600 million in February). This decrease reflected net redemptions of both short-term and long-term debt securities.

Approximately €27.2 billion (or 39 per cent) of the total debt securities issued by the banking sector will fall due within the next 12 months.

Since March 2013, the outstanding amount of debt securities for this sector has decreased by 13.4 per cent to €70.4 billion with short-term debt contracting by 38 per cent (Chart 1 and 2). Over the past 12 months, the total outstanding amount of debt securities for this sector across the euro area decreased by approximately 8 per cent.

The market value of equity securities in the banking sector saw a year-on year increase of 31 per cent[1] to €22.5 billion (Chart 3). This increase is primarily as a result of valuation changes.

Non-Financial Corporations

The outstanding amount of debt securities issued by non-financial corporations (NFC) increased to almost €4.5 billion in March 2014 (Table 3)[2].

Approximately €272 million (or 22 per cent) of the total debt securities issued by NFCs will fall due within the next 12 months.

In March 2014, the value of the quoted shares issued by the NFC sector remained broadly unchanged at €251 billion. This represented a year-on-year increase of 32 per cent (Chart 4). The annual percentage change in market capitalisation for NFCs in the euro area was approximately 20 per cent.

[1] As per compilation methodology utilised by the Central Bank of Ireland

[2] The Amount Outstanding decreased in February 2014 following acquisition activity and corporate restructuring. This figure is provisional and subject to review.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Settlement Agreement between the Central Bank of Ireland and FBD Insurance plc

15 May 2014

The Central Bank of Ireland (the "**Central Bank**") has entered into a Settlement Agreement with effect from 8 May 2014 with FBD Insurance plc (the "Firm"), a regulated financial services provider, in relation to breaches of regulatory requirements contained in the Consumer Protection Code 2006 (the "2006 Code").

Reprimand and fine

The Central Bank reprimanded the Firm and required it to pay a monetary penalty of €490,000.

Contraventions

The Firm breached various requirements of the 2006 Code. The breaches identified demonstrate that the Firm failed to ensure that it had resources and procedures, systems and controls necessary to ensure compliance by it, and other entities to whom it outsourced regulated activities, with the 2006 Code.

Specifically, the Firm:

1. from 2008 to 2011 failed to ensure that regulated activities it outsourced to other entities were compliant with the 2006 Code;
2. from 2007 to 2008 failed to demonstrate that it provided effective staff training in relation to the 2006 Code;
3. failed to demonstrate that it disclosed to customers relevant material information, including an administration charge (which applied in limited circumstances where customers had provided inaccurate information) and the intention of the Firm to record telephone calls;
4. failed, from 2006 to 2011, to provide certain consumers with a terms of business document prior to entering into policies with new consumers;
5. during 2011 failed to have adequate complaints handling procedures in place in its various offices and failed to adhere to the complaints handling rules set out at Chapter 2, provisions 46(a) to (e) of the 2006 Code. These breaches specifically related to failures to:

- provide complainants with a point of contact in relation to the complaint and to keep complainants updated on the status and outcome of complaints in accordance with the relevant requirements;

- inform complainants of their right to refer their complaint to the relevant Ombudsman and provide them with the contact details of that Ombudsman;
- offer complainants the opportunity to have their verbal complaints treated as a written complaint;
- maintain an up-to-date record of complaints in accordance with the 2006 Code; and

6. failed during 2010 to advise consumers that loss adjusters, appointed by the Firm, were acting in the interests of the Firm.

The Consumer Protection Code

The 2006 Code set out the requirements that regulated firms must comply with when dealing with consumers. The 2006 Code was replaced, with effect from 1 January 2012, by the Consumer Protection Code 2012. The Consumer Protection Code is a key element of the Central Bank's consumer protection framework. Regulated firms are required to ensure they have and employ resources and procedures, systems and control checks necessary to ensure compliance with the Code. Regulated firms must also ensure that any outsourced regulated activity complies with the requirements of the Code.

Background

The Firm provided the Central Bank with a report identifying breaches by the Firm of the 2006 Code. Following review of the report, the Central Bank undertook its own inspection. The report and the Central Bank's inspection identified concerns regarding the Firm's failure to ensure it had resources and procedures, systems and controls necessary to ensure compliance with the 2006 Code and formed the basis of this administrative sanctions procedure case.

The Firm promptly undertook measures to rectify the issues that were identified. These included the dedication of additional compliance resources, the implementation of new systems and procedures, an enhanced training programme and enhanced controls in respect of outsourced activities in order to prevent recurrence.

Penalty decision factors

The penalties imposed in this case reflect the seriousness with which the Central Bank treats the relevant contraventions. They also reflect the importance the Central Bank places on consumer protection and the obligation of regulated entities to ensure that they comply with, and have adequate resources and procedures, systems and controls in place to ensure compliance with, the Consumer Protection Code.

In particular, the Central Bank considers it unacceptable for firms to outsource regulated activity without appropriate oversight and assurance that the regulated activity is being conducted in accordance with the 2006 Code.

In deciding the appropriate penalty to impose, the Central Bank has also taken the following into account:

- the Firm's failure to ensure that outsourced activities complied with the requirements of the 2006 Code;
- that the Firm identified breaches of the 2006 Code and notified these to the Central Bank;
- the Firm has taken appropriate remedial steps to rectify the breaches, including the dedication of additional resources to its compliance function and the implementation of enhanced systems and controls to ensure compliance with the Consumer Protection Code 2012 (which replaced the 2006 Code with effect from 1 January 2012);
- that the Firm has enhanced its controls around the outsourcing of regulated activity to other entities; and
- the cooperation of the Firm during the investigation and in settling at an early stage in the administrative sanctions procedure.

The Central Bank confirms that the matter is now closed.

The Central Bank of Ireland also issued a general comment from Director of Enforcement, Derville Rowland:

"Since 2010, this is the thirteenth settlement concluded by the Central Bank with a firm involving breaches of the Consumer Protection Code 2006. In light of the public statements made and enforcement actions taken by the Central Bank, firms should be aware of the importance of compliance with the Consumer Protection Code.

"Working to protect the interests of consumers of financial services is a key priority for the Central Bank. The Consumer Protection Code is a key element of the Central Bank's consumer protection framework. The Central Bank views the implementation of proper systems and controls by firms to ensure compliance with the Consumer Protection Code as a fundamental requirement. The existence of inadequate systems and controls, incomplete procedures and/or a failure to employ effective resources is an unacceptable risk to the Central Bank due to the potential for consumer detriment.

"In circumstances where firms outsource regulated activities to other entities, the Central Bank expects firms to exercise due skill and care when entering into and/or managing those outsourcing arrangements and to ensure that the outsourced activity is conducted in compliance with the Consumer Protection Code and any other relevant regulatory requirements.

"The pursuit of enforcement actions in respect of systems and controls failings has been part of the Central Bank's Enforcement Priorities since 2011 and, for that reason, where breaches occur in this area, regulated entities and their management should expect vigorous investigation and follow up by the Central Bank."

New research on SME indebtedness

16 May 2014

The Central Bank of Ireland today publishes new economic research entitled 'Profiling the indebtedness of Irish SMEs' (Economic Letters Vol. 2014, No. 3).

The research uses data from the 2012 and 2013 Red C SME credit demand survey to profile the Debt to Turnover ratio (DT) for a representative sample of Irish SMEs.

The study shows that increases in DT are associated with increased default and solvency risk. It also indicates that low DT levels in SMEs do not necessarily signal strong financial health.

The key findings of the research are as follows:

- Incidences of extremely high indebtedness are not as common in Irish SMEs as might be expected given the difficulties of Irish SME loan repayments.
- One third of Irish SMEs carry no debt.
- The majority of SMEs have relatively low DT ratios, with the share of SMEs with a DT of greater than a third being 16.3 per cent.
- The share of SMEs with a DT of greater than one is 7 per cent. This number is highest for medium-sized firms (greater than 50 employees) at 12 per cent.
- The Hotels and Restaurants sector has the highest share of highly indebted SMEs, while the Business and Administrative and Construction sectors have the lowest share.

Notes to editors:

The Red C SME Credit Demand Survey is commissioned by the Irish Department of Finance and is carried out on a bi-annual basis. It contains responses from an employment-weighted representative sample of 1500 SMEs. Details on the survey are available on the Department of Finance’s website www.finance.gov.ie

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Tribunal Upholds Decision by Central Bank to Revoke Moneylender's Licence

20 May 2014

The Irish Financial Services Appeals Tribunal ("IFSAT") has upheld a decision of the Central Bank of Ireland (the "Central Bank") to revoke the moneylender's licence held by Frederick Collins t/a Westgate Finance for the period 1 August 2012 to 31 July 2013. The judgment was published on IFSAT's website on 20 May 2014.

The Central Bank's decision to revoke the licence was made on the basis that Mr Collins had failed to carry out his moneylending business in accordance with the terms of the licences granted pursuant to the Consumer Credit Act 1995 for 2011/2012 and 2012/2013 including: (i) charging consumers an annual percentage rate (APR) and cost of credit other than that permitted in the licence; and (ii) entering into loan agreements for periods outside those permitted in the licence.

IFSAT was established by the Central Bank and Financial Services Authority of Ireland Act 2003. It is an independent tribunal which hears and determines appeals against certain decisions of the Central Bank.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Update on Setanta Insurance Company Limited

20 May 2014

The Liquidator to the Setanta Insurance Company has commenced issuing letters to policyholders informing them that their insurance cover will be cancelled within 7 or 10 days, depending on the type of policy held. The Central Bank strongly recommends that policyholders who receive these letters immediately contact either an insurance broker or an insurer directly to seek alternative insurance cover. The Central Bank is aware that many insurers are being flexible surrounding requirements for documents, including no claims bonus letters, which means policyholders can obtain alternative cover without presenting this document immediately to their new insurer. Therefore consumers should engage with their broker or an insurance company without delay.

Update 9 May 2014

The Liquidator of Setanta Insurance Company has placed notices in national media informing policyholders of his intention to cancel all policies issued by Setanta Insurance by way of a 7 or 10 day cancellation notice. The cancellation notices will be sent to all policyholders within the next seven days.

The Liquidator has confirmed that all policy holders, that have not already done so, should arrange alternative cover without delay as claims are unlikely to be paid in full and once the notice period has expired all policies will be cancelled by the Liquidator.

The Central Bank is in ongoing contact with the Malta Financial Services Authority in relation to Setanta Insurance and we have notified all brokers of the Liquidator’s notice. The Central Bank has been engaging with over 230 brokers who were offering policies from Setanta Insurance to consumers to request they immediately contact any Setanta policyholder and inform them of the urgency to make alternative motor insurance arrangements. The Central Bank has also been in contact with the Irish broker’s representative bodies, the Department of Finance and Insurance Ireland on the issue. We have also required all brokers to ensure they provide assistance to any policyholder and provide them with all relevant information and documentation as required.

Policyholders can continue to contact the firm with any questions at:

Suite 6, Plaza 255

Blanchardstown Corporate Park 2

Ballycoolin

Dublin 15

Ireland

Tel: 0818-255255

The Central Bank has updated its Q&A with information for consumers.

Update 30 April 2014

The Central Bank has been in ongoing contact with the Malta Financial Services Authority (MFSA) in relation to Setanta Insurance. The MFSA has advised the Central Bank that a liquidator, Mr Paul Mercieca, has been appointed to the firm, who will be responsible for the administration of the company's assets and liabilities.

The Central Bank has been engaging with over 230 brokers who were offering policies from Setanta Insurance to consumers to require them to immediately contact any Setanta policyholder and inform them of the urgency to make alternative motor insurance arrangements. The Central Bank has also been in contact with the Irish broker's representative bodies, the Department of Finance and Insurance Ireland on the issue. We have also required all brokers to ensure they provide assistance to any policyholder and provide them with all relevant information and documentation as required.

It is expected that the liquidator will be contacting all policy holders. In the interim, policyholders with any queries can continue to contact Setanta Insurance Services Limited.

17 April 2014

Setanta Insurance Company Limited (Setanta) is a Maltese incorporated company subject to prudential supervision in Malta by the Malta Financial Services Authority (MFSA). Its financial position is not supervised by the Central Bank of Ireland and the Central Bank has no role in that regard.

The Central Bank of Ireland was notified by the MFSA on 16 April that the shareholders of Setanta have resolved to wind up the company. This is a process that will take place in Malta overseen by the MFSA.

The Central Bank will require Setanta to write to all policyholders to advise them of the situation and its implications for them.

Setanta is not in a position to confirm that claims will be met in full since any and all claims will be subject to the relevant liquidation process. Policyholders should therefore make arrangements for alternative cover without delay.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Settlement Agreement between the Central Bank of Ireland and Squared Financial Services Limited

21 May 2014

The Central Bank of Ireland (the "**Central Bank**") has entered into a Settlement Agreement with effect from 16 May 2014 with Squared Financial Services Limited (the "**Firm**"), a regulated financial services provider, in relation to contraventions of the European Communities (Capital Adequacy of Credit Institutions) Regulations 2006 (S.I. 661 of 2006) (the "**Capital Adequacy Regulations**") and the European Communities (Markets in Financial Instruments) Regulations 2007 (S.I. 60 of 2007) (the "**MiFID Regulations**").

Reprimand and fine

The Central Bank reprimanded the Firm and required it to pay a monetary penalty of €100,000.

Contraventions

The contraventions identified were as follows:

1. On certain dates between 30 April 2009 and 31 May 2012, for periods of 25 and 37 months respectively, the Firm had large exposures to two entities in excess of the permitted limits;
2. On certain dates between 31 December 2009 and 30 March 2012, the Firm failed to report those exposures to the Central Bank in breach of the requirements of the Capital Adequacy Regulations; and
3. The Firm failed, in breach of the MiFID Regulations, to ensure that it had in place and used sound administrative and accounting procedures and internal control mechanisms to ensure compliance with the permitted limits and the reporting obligations set out in the Capital Adequacy Regulations.

Background

The Firm is authorised under the MiFID Regulations as an investment firm, and is obliged to comply with the large exposure requirements under the Capital Adequacy Regulations. These requirements set certain limits on the permitted exposures and require firms to report details of their exposures to the Central

Bank. The Firm reported breaches of these requirements to the Central Bank in October 2012.

The large exposure requirements are imposed on investment firms to limit the level of exposure which a firm may have to one person or entity, or group of connected persons/entities, in order to contain the loss a firm may experience in the event of the failure of an entity to which the firm is exposed. Investment firms are required to submit large exposure returns to the Central Bank setting out details of the levels of their large exposures against the limits set out in the Capital Adequacy Regulations.

Penalty decision factors

The penalties imposed in this case reflect the importance the Central Bank places on compliance with the large exposure requirements set out in the Capital Adequacy Regulations and having adequate internal controls in place to ensure that at all times a firm is in compliance with the limits.

In deciding the appropriate penalty to impose, the Central Bank has taken the following into account:

- the seriousness with which the Central Bank views any contraventions of the requirements of the Capital Adequacy Regulations and the failure to have in place proper internal control mechanisms to ensure compliance with the limits and reporting obligations set out in the Capital Adequacy Regulations;
- the length of time for which the contraventions persisted;
- the importance of on-going monitoring and limiting the size of large exposures.

and

- the fact that the Firm notified the Central Bank of the contraventions;
- the fact that the Firm has now enhanced its procedures and controls around monitoring and reporting;
- the cooperation of the Firm during the Central Bank's investigation and in settling at an early stage in the administrative sanctions procedure.

The Central Bank confirms that the matter is now closed.

The Central Bank also issued a general comment from Director of Enforcement, Derville Rowland:

*"This is the second settlement with a firm for a breach of the large exposure requirements set out in the European Communities (Capital Adequacy of Credit Institutions) Regulations 2006 (S.I. 661 of 2006)(the "**Capital Adequacy***

***Regulations**") and the first settlement with an investment firm for such breaches.*

"The large exposure requirements limit the level of exposure which a firm has to an individual or entity or to a group of connected individuals or entities so that if that individual or entity was in difficulty this would not have a significant impact on the firm. The Central Bank must monitor the level of large exposures which a firm has and their compliance with large exposure limits to ensure that firms are not exposed to significant levels of risk as a result of such exposures.

"The failure by regulated financial services providers to ensure that they comply with large exposure limits and the reporting obligations at all times is viewed as a serious matter by the Central Bank given the potential risks to a firm's stability in the event of an individual or an entity falling into financial difficulty.

"Investment firms must have effective processes in place to identify, manage and monitor the level of risk they are exposed to, and proper and effective systems and controls in place to ensure compliance with large exposure limits. Where the Central Bank finds evidence of failures in these areas the Central Bank will continue to use its range of regulatory tools including enforcement."

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

ESMA Launches Consultation Process on MiFID Reforms

22 May 2014

The European Securities and Markets Authority (ESMA) has launched a consultation process for the implementation of the revised Markets in Financial Instruments Directive (MiFID II) and Regulation (MiFIR), available on their website.

As part of the consultation process, ESMA has released the following documents:

1. Consultation Paper on MiFID/MiFIR Technical Advice – ESMA needs to deliver this advice to the European Commission by December 2014 and is therefore subject to a condensed consultation process for this paper; and
2. Discussion Paper on MiFID/MiFIR draft RTS/ITS – this will provide the basis for a further consultation paper on the draft RTS/ITS which is expected to be issued in late 2014 / early 2015.

Both consultations are open until 1 August 2014, and open hearings will take place on 7 and 8 July.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Central Bank Statement on IMF Report on Observance of Standards and Codes

27 May 2014

The Central Bank welcomes the publication by the IMF of the Report on Observance of Standards and Codes and the two Detailed Assessment Reports. In view of the substantial changes in the regulatory regime in Ireland over the last four years, these reports provide a timely examination of Ireland's legislative and supervisory frameworks in relation to banking (assessed against the Basel Core Principles for Effective Banking Supervision) and markets regulation (assessed against the IOSCO Objectives and Principles of Securities Regulation). It confirms high levels of compliance with the requirements while also identifying some areas for further review.

The Central Bank has evaluated the IMF's recommendations and will take appropriate action to address these findings.

The Central Bank is committed to ensuring that the regulatory framework and associated supervisory practices are assessed against best international standards and recognises the importance of regular monitoring to maintain standards. These assessments are an important opportunity to critically appraise current practices in light of the IMF recommendations with a view to taking action, where appropriate.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Central Bank Publishes Findings of Review of Annual Personal Pension Statements

28 May 2014

The Central Bank of Ireland today (28 May 2014) reported on the outcome of its review into the provision of annual statements by life assurance firms. The Consumer Protection Code 2012 (the Code) requires regulated entities to provide consumers with an annual statement outlining the position of their investment product. The purpose of the review was to establish how life assurance firms are complying with this requirement for personal pension products.

Director of Consumer Protection, Bernard Sheridan said: "Overall, the Central Bank found that the vast majority of firms were in compliance with the requirements of the Code. Consumers need to receive clear and meaningful pension information to ensure that their personal pension savings plans are on track to meet their retirement goals. Pension and retirement saving plans are some of the least understood financial products and the provision of annual statements support more informed decision making. Firms need to ensure that they are disclosing information in a way that informs the consumer."

The review covered the 10 largest life assurance firms and examined if they had provided the required information to consumers. Overall, the Central Bank found that the vast majority of firms were in compliance with the requirements of the Code. However the Central Bank identified a small number of examples of firms failing to produce new format statements for pension policies. Where this was identified firms were required to submit implementation timelines for full compliance and commit to ensuring that all personal pension plan consumers, regardless of when the policy was sold, would receive a new format annual statement. Some firms do not have valid addresses for a very small numbers of policies and as such new format statements have failed to issue to all consumers. Firms have been instructed to make every effort to make contact with these consumers.

The Code requires firms to provide consumers with clear information on their personal pensions on an annual basis. This helps consumers understand how much they have saved and helps them plan for the future. It is important that consumers check these statements and to raise any queries directly with the firm.

The Central Bank also asked consumers, via focus groups, to identify what was working well in terms of disclosure and where improvements to the annual statements could be made. The Central Bank expects that firms will incorporate these findings when communicating with consumers.

Consumers in the focus groups said that the following would be of benefit:

1. The use of "Plain English" and clear distinct headings in the presentation of the statement.
2. Details of the projected retirement income expressed as a monetary value, with information on what they could expect to get from their pension product when they retired.
3. Information on the investment funds, including risk and the type of fund to be clearly highlighted on the statement including the location of the investments. One firm provided clear details of the different funds that the consumer's policy was invested in, including the percentage breakdown of the investments under a separate heading titled "Investment Details".
4. Historical information on the performance of the policy.. One firm's statement provided numerical information across the full duration of the pension policy and therefore provided the consumer with a good overall picture of their policy from inception.
5. A link to a pension calculator so consumers can see whether they will have enough money built up in their fund for when they retire. A pension calculator helps you estimate the contributions you should be paying into your pension in order to maintain your living standards and it helps you to understand what is required to provide your target pension.
6. A key consumer requirement was for the charges to be broken down into a euro value in the annual statement and for all fees and charges to be provided in one location with a monetary total.

Further information: Press Office (01) 224 6299

ENDS

Notes to Editors

Section 6.16 of the Consumer Protection Code 2012 provides that:

For each investment product held with it, a regulated entity must, at least annually, provide to a consumer a statement in respect of the previous 12 month period, which includes, where applicable:

a) the opening balance or value;

b) all additions including additional amounts invested;

c) all withdrawals;

d) the total sum invested;

e) the number of units held;

f) all interest;

g) all charges and deductions affecting the investment product including any charges associated with the management, sale, set up and ongoing administration of the investment product; and

h) the closing balance or statement of the value of the investment.

About the review

This review consisted of a detailed desk based analysis of completed questionnaires from 10 life assurance firms. The Central Bank designed a questionnaire for issue to the selected firms that could be used to measure firms efforts as regards the implementation of Provision 6.16 with reference to firms' personal pension plan products. Firms were requested to complete the questionnaire and submit it to the Central Bank with accompanying documentation. The accompanying documentation included samples of the new format annual statement that firms were issuing to their personal pension plan consumers. Following this meetings were held with firms included in the inspection. The Central Bank considered it necessary to further support the work it was completing in analysing and reviewing the completed questionnaires and sample statements. As such the Central Bank conducted consumer focus groups.

About the consumer focus groups

In total 46 participants, in six focus groups, took part in the qualitative research. Consumers, who hold personal pension policies, were requested to review a sample of the new format annual statement issued by the 10 life assurance firms which contributed to the review and provide feedback, insight and commentary on such items as:

- The presentation and content of the annual statement and whether it communicates key pension information in a clear and concise manner;
- The presentation of charges within the Statement;
- The identification of any issues (texts and visuals) within the Statement that they consider overtly hinder, or conversely, significantly contribute to their understanding of the position of the personal pension plan;
- Steps which the firms could take to address the challenges that consumers face in interpreting the information within the statement; and

- Any other information that the consumer considered should be included in the annual statement.

About the Consumer Protection Code

- The Consumer Protection Code 2012 is imposed under Section 117 of the Central Bank Act, 1989. This revised Code was published on 19 October 2011 and came into effect on 1 January 2012. The revised Code builds on the protections of the previous version, and includes more detailed requirements in many areas.
- Contraventions of the Code may be subject to the imposition of administrative sanctions.

About Personal Pension Plans

Personal Pensions Plans are also known as retirement annuity contracts. A personal pension is a particular type of insurance contract approved by the Revenue Commissioners. The value of the ultimate benefits depends on the amount of contributions paid, the investment return achieved less any fees and charges. Personal Pensions can be obtained directly from life assurance companies, and through financial advisers.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Settlement Agreement between the Central Bank of Ireland and Bank of Montreal Ireland p.l.c.

29 May 2014

The Central Bank of Ireland (the "**Central Bank**") has entered into a Settlement Agreement with effect from 21 May 2014 with Bank of Montreal Ireland p.l.c. (the "**Firm**"), a regulated financial services provider, in relation to prescribed contraventions of the European Communities (Capital Adequacy of Credit Institutions) Regulations 2006 (S.I. 661/2006) (as amended) (the "**2006 Regulations**") and of the European Communities (Licensing and Supervision of Credit Institutions) Regulations 1992 (S.I. 395/1992) (the "**1992 Regulations**").

Reprimand and fine

The Central Bank reprimanded the Firm and required it to pay a monetary penalty of €650,000.

Contraventions

The three contraventions, which occurred at various periods between March 2008 and March 2013, are as follows:

- The 2006 Regulations set limits on the level of financial exposure which a firm can have to any person or entity in order to contain the level of loss which a firm may incur in the event that the other party experiences financial difficulties. The Firm had an exposure to a client (in this case its ultimate parent company) in excess of the permitted limits set out in Regulation 57(2) of the 2006 Regulations;
- The 2006 Regulations set out how a firm should calculate its financial exposures. The Central Bank assesses the risks to which a firm is exposed on the basis of exposure figures reported by firms in large exposure returns and solvency returns. The Firm failed properly to calculate its exposure under swap transactions with its ultimate parent company and an affiliate in accordance with Regulation 53(1) of the 2006 Regulations and therefore reported incorrect exposure figures to the Central Bank; and
- The Firm breached Regulation 16(3) of the 1992 Regulations, in that the Firm failed to have effective processes and adequate internal controls in place to ensure compliance with the permitted limits set out in Regulation 57(2) of the 2006 Regulations and compliance with Regulation 53(1) of the 2006 Regulations in respect of its exposure to related party swap transactions.

Reporting on Large Exposures to the Central Bank

The large exposure requirements in the 2006 Regulations are imposed on credit institutions to limit the level of exposure which a credit institution may have to any one person or entity, or group of connected persons/entities and to contain the risk to a credit institution should the other party experience financial difficulties. The 2006 Regulations allow for exemptions from the large exposure limits in respect of certain large exposures. Credit institutions are required to submit large exposure returns to the Central Bank detailing the level of their large exposures against the permitted limits in the 2006 Regulations.

Reporting on Capital (Solvency) to the Central Bank

Credit institutions are required to hold a particular level of funds (capital) as a cushion against potential losses. The amount of capital to be held by a credit institution is related to the level of the credit institution's exposures and the perceived risk attaching to these exposures. Credit institutions are required to submit capital (solvency) returns on a periodic basis to the Central Bank setting out the level of capital they hold and details of the exposures against which they are holding this capital. This information provides the Central Bank with a key indicator of the credit institution's ability to absorb losses without becoming insolvent (solvency position of institution).

Background to the Contraventions

Contravention 1

In January 2013, the Central Bank raised queries with the Firm in respect of a particular financial exposure contained in a regulatory (large exposure) return. The Firm initially advised that this exposure was exempt from large exposure limits as it was an exposure to a client, which is an institution, and which was due to mature in less than one year. However, the Firm subsequently accepted that, due to a change in legislation, this exemption was not available to it.

The Firm was relying in this regard on an exemption which was available under the Capital Requirements Directive, which was implemented in Ireland by the 2006 Regulations. However, when the 2006 Regulations were amended in 2010, as a result of the second Capital Requirements Directive (2009/111/EC) ("CRD II") being implemented in Ireland, the rules relating to exemptions changed and this exemption was no longer available under the amended 2006 Regulations.

This had resulted in the Firm submitting inaccurate large exposure returns to the Central Bank. The Firm subsequently submitted revised large exposure returns to the Central Bank taking account of the required amendment in respect of the particular exposure. On the basis of the revised figures provided to the Central Bank, the Firm was in breach of the large exposure limits in respect of the particular exposure.

Contravention 2

In February 2013, the Firm notified the Central Bank that, due to an issue with data feeding into large exposure returns and capital (solvency) returns, the Firm's exposures under swap transactions with its ultimate parent company and an affiliate had not been calculated correctly in these returns. The Firm had not calculated the potential future credit exposure (the maximum expected credit exposure over a set period of time) for these exposures in accordance with the 2006 Regulations.

Contravention 3

On further review of the matters which form the basis of Contraventions 1 and 2, deficiencies in processes and internal control mechanisms were identified and Contravention 3 relates to these deficiencies.

Penalty decision factors

The penalties imposed in this case reflect the importance the Central Bank places on compliance with regulatory reporting obligations and on ensuring that the large exposure limits are complied with.

In deciding the appropriate penalty to impose, the Central Bank has taken the following into account:

- the seriousness with which the Central Bank views the failure by regulated firms to fully consider new regulatory reporting obligations and to prepare regulatory returns in accordance with such obligations;
- the seriousness with which the Central Bank views contraventions relating to capital and large exposure reporting as they impact upon the ability of the Central Bank to ascertain with certainty the solvency position of the Firm and the level of credit risk to which the Firm is exposed;
- the importance of monitoring (on an ongoing basis) and limiting the size of large exposures;
- the Firm notified the Central Bank immediately on discovery of the incorrect calculation of its exposure under related party swap transactions;
- the Firm's solvency ratio remained at all times in excess of required capital levels;
- the Firm has taken appropriate remedial steps to rectify the breaches;

- the Firm has introduced enhanced procedures and controls to improve its monitoring of large exposures and preparation of regulatory returns; and
- the cooperation of the Firm during the investigation and in settling at an early stage in the administrative sanctions procedure.

The Central Bank confirms that the matter is now closed.

The Central Bank of Ireland also issued a general comment from Director of Enforcement, Derville Rowland:

"This is the second settlement by the Central Bank with a credit institution in respect of the failure to adhere to large exposure limits; this settlement also, however, involves a failure to ensure the accuracy of regulatory reporting to the Central Bank. Each of these elements is considered by the Central Bank to be a serious matter.

"This settlement also relates to the failure by a credit institution to have in place proper internal controls to ensure compliance with regulatory reporting obligations and with large exposure limits.

"Regulated firms are required to submit regulatory returns to the Central Bank on a regular basis containing information which is used by the Central Bank to determine the financial stability of a firm and to monitor the level of risks to which a firm is subject. The accuracy and compliance with all regulatory obligations of such regulatory returns is key to the Central Bank's ability to supervise regulated firms.

"The failure by a regulated firm to ensure that it fully considers the implications of new regulatory requirements is also viewed as a serious matter by the Central Bank. In this regard, in light of the new regulatory reporting obligations which have been introduced in the Capital Requirements Directive IV ("CRD IV") which was transposed into Irish law on 31 March 2014, the Central Bank expects that firms will have in place effective processes and internal controls to ensure compliance with their regulatory reporting obligations.

"Where the Central Bank finds evidence of failures in the areas of regulatory reporting or compliance with regulatory limits the Central Bank will continue to use its range of regulatory tools including enforcement."

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Locational Banking Statistics – Q1 2014

29 May 2014

Total external position

- Total external assets of banks resident in Ireland stood at €359 billion at the end of the first quarter, a decrease of 15 per cent since the first quarter of 2013.
- Total external liabilities of resident banks as at the end of the first quarter stood at €346.5 billion, down 12 per cent from the previous year.
- In the first quarter of 2014, banking offices resident in Ireland reported total profits of €215 million. Since Q1 2013, account fees and charges have increased by 19 per cent to €113 million while total operating income fell by 15.5 per cent to €2.5 billion.

Total External Assets

Total external assets of banks resident in Ireland stood at €359 billion at the end of the first quarter, a decrease of approximately 15 per cent since Q1 2013. Total external positions have been decreasing since the onset of the financial crisis as banks have sought to reduce their balance sheet, with the current quarter returning to the same position reported at the end of Q1 2004 (€359 million). Domestic market[2] banks accounted for €105 billion of total external assets (Chart 1).

Total external loans and deposits (assets) stood at €214 billion at the end of Q1, a decrease of 12 per cent over the year. Approximately €101.5 billion of total external loans and deposits (assets) were vis-à-vis the UK, representing 47 per cent of total external loans and deposits (Table 1).

Debt securities (assets) stood at €109 billion at the end of the first quarter, a reduction of 13 per cent since Q1 2013. IFSC banks account for 81 per cent of debt securities holdings (assets). The government sector was the largest counterparty for IFSC banks accounting for 35 per cent of their debt securities (Chart 2).

Total External Liabilities

Total external liabilities of resident banks at the end of Q1 stood at €346.5 billion, down 12 per cent from the previous year. Domestic market banks accounted for €98.7 billion, or 29 per cent, of total external liabilities (Chart 3).

External loans and deposits (liabilities) stood at €222.9 billion at end-Q1, representing 64 per cent of total external liabilities. Similar to the assets side, the top country for external loans and deposits (liabilities) was the UK accounting for approximately 38 per cent of outstanding loan and deposit liabilities (Table 2). The top 5 counterparty countries represent 79 per cent of total external loans and deposits (liabilities)

The market value of debt securities issued was €50.4 billion at the end of Q1 2014 with IFSC banks accounting for 70 per cent of these liabilities. The banking sector was the largest holder of these IFSC issued securities (Chart 4). The external debt security funding of domestic market banks is similar to the IFSC banks with funding primarily coming from the banking sector.

Income Statement

In Q1 2014, banking offices resident in Ireland reported a cumulative total operating income of €2.5 billion, as decrease of almost 16 per cent on the previous year (Table 3).

Since Q1 2013, interest income has fallen by 17 per cent while account fees and charges have increased by nearly 19 per cent, albeit from a low base, to €113 million. Domestic market banks account for 96 per cent of account fees and charges.

In Q1 2014, General operating expenses have decreased from Q1 2013 by 26 per cent to €1.3 billion. Total profits for all banking offices resident in Ireland was €215 million.

[1]Resident bank's asset and liability positions with non-residents in all currencies and residents in foreign currency.

[2] Domestic market banks are banks that have a significant level of retail business with Irish households and NFCs, and would exclude the more internationally focused banks in the IFSC.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Money and Banking Statistics: April 2014

30 May 2014

Credit to households and non-financial corporations continued to contract on an annual basis, as repayments exceeded new lending. Irish resident private-sector deposits also declined on an annual basis, despite net inflows in April.[1]

Loans and other credit

- Household loan repayments exceeded drawdowns by €462 million during April 2014, following a net monthly decrease of €85 million in March. Developments in April reflect a decline across all categories of household loans, with the most substantial decrease relating to loans for house purchase, which fell by €304 million over the month.
- On an annual basis, lending to Irish households continued to fall, decreasing by 3.7 per cent in April 2014. Loans for house purchase, which account for 78 per cent of total household loans, declined at an annual rate of 3.1 per cent. Lending for consumption and other purposes declined by 5.8 per cent over the year.
- Non-financial corporation (NFC) loan repayments exceeded drawdowns by €962 million in April 2014; this represents the seventeenth consecutive monthly decline in NFC loans. Developments in April were mainly driven by a €680 million decline in short-term NFC loans. In addition, long and medium-term NFC loans also declined by €247 million and €35 million, respectively.
- Lending to Irish resident NFCs reported a year-on-year decline of 6.2 per cent in April 2014, following an annual decrease of 6.1 per cent in March. This resulted from declines across all maturity categories, with annual declines of 6.1 per cent, 5.9 per cent and 6.5 per cent recorded for short, medium and long-term sectors, respectively.
- Credit institutions' holdings of debt and equity securities issued by the Irish private sector decreased by €176 million during April 2014, following a decrease of €3.1 billion in March. This brought the annual rate of decline at end-April to 12.9 per cent. The decrease in holdings of private-sector securities during April 2014 was almost entirely attributable to developments in the other financial intermediaries (OFIs) sector, which fell by €167 million over the month, bringing the annual rate of decline in these holdings to 12.9 per cent.

Deposits and other funding

- Irish resident private-sector deposits increased by €390 million during April 2014, reflecting a rise in deposits from the NFC and household sectors of €673 million and €187 million, respectively. Meanwhile, deposits from Irish resident OFIs and insurance corporations and pension funds (ICPFs) fell during the month, by €398 million and €72 million respectively.
- Looking at the maturity breakdown, deposits with agreed maturity up to two years increased by €315 million during April. This reflects an increase of €329 million among OFIs and a €265 million increase for NFCs. In contrast to this, medium-term deposits fell in the household and ICPF sectors, by €205 and €74 million, respectively.
- Overnight deposits, which include current accounts, increased by €136 million in April 2014. Deposits in this category from households, NFCs and ICPFs rose by €437 million, €383 million and €33 million over the month. This was partly offset by a €717 million decrease in overnight deposits from the OFI sector.
- Deposits with agreed maturity over two years decreased by €144 million during the month of April. This reflects the decline across all sectors, the largest of which was a €76 million decrease in the household sector. Longer-term deposits also fell in the ICPF, OFI and NFC sectors by €33 million, €25 million and €10 million, respectively.
- On an annual basis, deposits from the Irish resident private sector declined at a rate of 0.4 per cent in April 2014, following a fall of 0.1 per cent in March. NFC deposits increased over the year by 8 per cent; meanwhile, deposits from ICPFs and households declined by 16 per cent and 0.4 per cent, respectively.
- The annual rate of change in OFI deposits was -2.1 per cent in April 2014, compared to an annual increase of 30.9 per cent in April 2013. This development is due to base effects, driven by a transaction in March 2013 related to the liquidation of the Irish Bank Resolution Corporation (IBRC). IBRC's liability to the Central Bank of Ireland was replaced by a liability to the National Asset Management Agency (NAMA), classified as an overnight deposit. This position will be unwound as the assets which currently remain on the IBRC balance sheet are transferred.
- Non-resident private-sector deposits fell by €424 million during April 2014, following a €481 million increase in March. Developments in April were mainly driven by a €268 million decrease in private sector deposits from non-euro area residents, the majority of which was withdrawn from IFSC banks. Private-sector deposits from other euro area residents also fell by €156 million over the month. In annual terms, private-sector deposits from other euro area residents decreased by 5.7 per cent and deposits from non-euro area residents decreased by 12.1 per cent.
- Credit institutions' borrowings from the Central Bank as part of Eurosystem monetary policy operations fell by €1.2 billion in April 2014. The outstanding stock of these borrowings amounted to €32.3 billion at end-April. The domestic market group of credit institutions accounted for €24.8 billion of this total outstanding stock and current levels

represent the lowest level of reliance on central bank funding since August 2008.

Note

Money and Banking Statistics currently include an aggregate balance sheet for the entire population of resident credit institutions, reported in Table A.4. Please note that the composition of the subsets of the population reported in Tables A.4.1 and A.4.2 have been updated as follows:

A.4.1 – Domestic Market Group: Institutions whose ultimate parent entity is resident in Ireland (including credit unions), or which have a significant (>20 per cent) level of business with Irish households and non-financial corporations in terms of their overall resident business activity.

A.4.2 – Irish-Headquartered Group: Institutions whose ultimate parent entity is resident in Ireland. This includes all credit unions.

[1] Money and Banking statistics are compiled in respect of business written out of all within-the-State offices of both credit institutions authorised to carry on banking business in the State under Irish legislation and credit institutions authorised in other Member States of the EU operating in Ireland on a branch basis. Credit institutions authorised in other EU Member States operating in Ireland on a cross-border basis, i.e. with no physical presence in the State, are not included in the statistics.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Central Bank statement on Mortgage Arrears Resolution Targets

4 June 2014

In March 2013 the Central Bank began setting Mortgage Arrears Resolution Targets, which banks are required to meet on a quarterly basis in terms of offering and concluding sustainable solutions for those in mortgage arrears.

The Central Bank has now set its expectations for the banks to the end of 2014, covering Quarter 3 and Quarter 4, which will require the banks to propose sustainable solutions to 85% of customers over 90 days in arrears and for concluded solutions to reach 45% by the end of 2014.

Sustainable Solutions %	**2013**			**2014**			
	Q2	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
Proposed [Target 1]	*20%*	*30%*	*50%*	*70%*	*75%*	***80%***	***85%***
Concluded[Target 2]	*N/A*	*N/A*	*15%*	*25%*	*35%*	***40%***	***45%***
Terms being met [Target 3]	*N/A*	*N/A*	*N/A*	*75%*	*75%*	*75%*	*75%*

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Residential Mortgage Arrears and Repossessions Statistics: Q1 2014

5 June 2014

Summary

- The number of mortgage accounts for principal dwelling houses (PDH) in arrears, fell for the third consecutive quarter in Q1 2014. A total of 132,217 (17.3 per cent) of accounts were in arrears at end Q1 2014, a decline of 3.2 per cent relative to Q4 2013.
- The number of PDH accounts in early arrears of less than 90 days declined by 2.4 per cent during Q1 2014, compared to a decrease of 5.7 per cent in the previous quarter.
- PDH mortgage accounts in arrears of over 90 days at end-March 2014 decreased by 3,361 (3.5 per cent) over the quarter. This represents the second consecutive decline in the number of accounts in arrears over 90 days, with the Q4 2013 decline marking the first fall in this category since the series began in September 2009.
- However, the decline in the overall number of mortgage accounts in arrears, masks continuing increases in very long-term arrears. While the number of accounts in arrears between 90 and 720 days declined by 5,090 over the quarter, accounts in arrears of over 720 days increased by 1,729 (5.1 per cent).
- At end Q1 2014, there were 35,314 mortgage accounts with arrears of greater than 720 days corresponding to outstanding balances of €7.4 billion. Arrears on these accounts represented almost 68 per cent of total arrears outstanding on all PDH accounts at end-March 2014.
- There was a total stock of 92,442 PDH mortgage accounts classified as restructured at end-March, reflecting a quarter-on-quarter increase of 10 per cent. Of these restructured accounts, 80.6 per cent were deemed to be meeting the terms of their current restructure arrangement.
- The largest increases in restructures were recorded for split mortgages, with over 5,000 new arrangements agreed during the quarter. Arrears capitalisation restructures also grew strongly over the quarter.
- In contrast to PDH mortgages, the number of buy-to-let (BTL) mortgage accounts in arrears showed a slight increase from 39,250 (27 per cent) to 39,361 (27.2 per cent) in the first quarter of 2014. This increase was entirely driven by accounts in very long-term arrears, with the increase in arrears of over 720 days outpacing the decrease in arrears up to 720 days.
- There were 13,282 (9.2 per cent) residential mortgage accounts for BTL properties in arrears of over 720 days at end-March 2014, up from 12,218 (8.4 per cent) at end-December 2013. The outstanding balance on these accounts at end-March was €4.2 billion.

Residential Mortgages on Principal Dwelling Houses

Arrears

At end-March 2014, there were 762,454 private residential mortgage accounts for principal dwellings held in the Republic of Ireland, to a value of €106.5 billion. Of this total stock, 132,217 accounts were in arrears, (a fall of 4,341 over the quarter) and 93,106 (12.2 per cent) were in arrears of more than 90 days.[1] Accounts in arrears of over 90 days were 3,361 lower at end-March than at the end of the previous quarter. This marks the second consecutive decrease in arrears over 90 days, with Q4 2013 marking the first decrease in the over 90 days category since the series began in September 2009. The outstanding balance on PDH mortgage accounts in arrears of more than 90 days was €17.7 billion at end-March, equivalent to 16.6 per cent of the total outstanding balance on all PDH mortgage accounts.

Early arrears continued to decline during the first quarter of the year. There was a quarter-on-quarter fall of 2.4 per cent in the number of accounts in arrears of less than 90 days, which stood at 39,111 at end-March, or 5.1 per cent of the total stock. Longer-term arrears continued to increase, however, as the number of accounts in arrears over 360 days reached 60,549 at end-March, equivalent to 7.9 per cent of the total stock of PDH mortgage accounts. All of this increase was driven by accounts in arrears of over 720 days, which rose by 1,729 and now constitute 26.7 per cent of all accounts in arrears, and 67.5 per cent of arrears outstanding. The pace of increase in longer-term arrears has continued to moderate, however, and, combined with the reduction in early arrears this quarter, resulted in a decline in the overall number of PDH accounts in arrears of 3.2 per cent relative to Q4 (3 per cent decline in value terms). Nonetheless, the value of accounts in longer-term arrears over 360 days remains large, amounting to €12.1 billion at end-March.

Restructuring Arrangements

Forbearance techniques include: a switch to an interest only mortgage; a reduction in the payment amount; a temporary deferral of payment; extending the term of the mortgage; and capitalising arrears amounts and related interest[2]. The figures also include some advanced modification options such as split mortgages and trade-down mortgages, which have been introduced recently to provide more long-term solutions for customers in difficulty.

A total stock of 92,442 PDH mortgage accounts were categorised as restructured at end-March 2014. This reflects an increase of 10 per cent from the stock of restructured accounts reported at end-December. The share of interest only arrangements of less than one year and reduced payment arrangements fell further during Q1, to 30 per cent from 36 per cent at end Q4 indicating a move out of short-term arrangements. Arrears capitalisations and term extension arrangements increased during the first quarter of the year, and accounted for 24 per cent and 17 per cent of total restructures at end-Q1, respectively. The largest increase during Q1 was, however, for split mortgages which grew by over 5,000 and now represent around 9 per cent of all restructures. A breakdown of restructured mortgages by type is presented in Figure 2. A total of 29,801 new restructure arrangements[3] were agreed during the first quarter of 2014, reflecting a 25.3 per cent increase on the number of new arrangements agreed during the previous quarter. The data on arrears and restructures indicate that of the total stock of 132,217 PDH accounts that were in arrears at end-March, 38,862 (29.4 per cent) were classified as restructured at that time.

Of the total stock of restructured accounts at end-March 2014, 58 per cent were not in arrears. Restructured accounts in arrears include accounts that were in arrears prior to restructuring where the arrears balance has not yet been eliminated, as well as accounts that are in arrears on the current restructuring arrangement. At end-March, 80.6 per cent of restructured PDH accounts were deemed to be meeting the terms of their arrangement. This means that the borrower is, at a minimum, meeting the agreed monthly repayments according to the current restructure arrangement. It is important to note that ‘meeting the terms of the arrangement’ is not a measure of sustainability, as not all restructure types represent longer-term sustainable solutions as defined within the Mortgage Arrears Resolution Targets. For instance, short-term interest only restructures are, in general, not part of longer-term sustainable solutions. The MART sustainability targets also include a significant number of accounts in arrears which are part of a legal process. These accounts are not classified as restructured within the Mortgage Arrears Statistics. Arrears associated with such accounts are recorded in full in the data.

Inability to meet the terms of the arrangement implies that the restructure agreement put in place may not have been suitable. Table 1 shows the percentage of restructured accounts that were deemed to be meeting the terms of their arrangement at end-March 2014, broken down by arrangement type. Lower numbers indicate a higher incidence of ‘re-default’, and these are particularly evident amongst arrears capitalisation cases, as well as cases in which a permanent interest rate reduction has been granted. As the figures in Table 1 only reflect compliance with the terms of the current restructure arrangement, we should expect to see a higher percentage of compliance among the restructure types that are likely to be shorter-term.[4] Nonetheless, the figures imply that of the total stock of accounts in the arrears capitalisation category, 36.2 per cent of PDH accounts have ‘re-defaulted’, i.e. the arrears balance has increased since the arrangement was put in place.

Legal Proceedings and Repossessions

During the first quarter of 2014, legal proceedings were issued to enforce the debt/security on a PDH mortgage in 3,093 cases. Court proceedings concluded in 232 cases during the quarter, and in 69 of these cases the Courts granted an order for repossession or sale of the property. There were 1,014 properties in the banks' possession at the beginning of the quarter. A total of 281 properties were taken into possession by lenders during the quarter, of which 54 were repossessed on foot of a Court Order, while the remaining 227 were voluntarily surrendered or abandoned. During the quarter 143 properties were disposed of. As a result, lenders were in possession of 1,116 PDH properties at end-March 2014. [Please note that there are some inconsistencies here between the stock of properties in possession at start and end of quarter, and the additions and disposals during the quarter. The is due to one institution and we are awaiting response/revision]

Residential Mortgages issued by Non-Bank Lenders

Non-bank lenders accounted for 2 per cent of the total stock of residential mortgage accounts outstanding at end-March 2014 (2.6 per cent in value terms). A total of 8,712 mortgage accounts issued by these lenders were in arrears of more than 90 days at end-March. The outstanding balance on these accounts was €1.9 billion, equivalent to 53.6 per cent of the total outstanding balance on all mortgage accounts issued by non-bank lenders.

Note to editors:

The Central Bank of Ireland has produced a number of consumer guides to assist consumers who are in arrears or facing arrears, including

1. Mortgage Arrears - A Consumer Guide to Dealing with your Lender;
2. Mortgage Arrears - Frequently Asked Questions; and
3. Guide to Completing a Standard Financial Statement.

[1] The figures published here represent the total stock of mortgage accounts in arrears of more than 90 days, as reported to the Central Bank of Ireland by mortgage lenders. They include mortgages that have been restructured and are still in arrears of more than 90 days, as well as mortgages in arrears of more than 90 days that have not been restructured. Please note that the figures for Q4 2013 include a small number of revisions.

[2] Arrears capitalisation is an arrangement whereby some or all of the outstanding arrears are added to the remaining principal balance, to be repaid over the life of the mortgage.

[3] This includes first-time restructures and further modifications of existing restructures.

[4] It should also be noted that some categories reflect only a small number of arrangements, particularly in the case of BTL accounts.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Trends in Business Credit and Deposits: Q1 2014

6 June 2014

Credit to enterprises continued to decline in both annual and quarterly terms. Gross new lending advanced to SMEs was down slightly compared to previous twelve month period. Strong annual non-financial deposit growth continued, although there was a slowdown in the latest quarter.

Summary:

- Credit to non-financial, non-property SMEs registered a marginal increase of 0.1 per cent during Q1 2014, to stand at €24.6 billion. In annual terms, however, there was a fall of 4.5 per cent which compares with a decline of 5.8 per cent over the year to end-Q1 2013.
- Gross new lending to non-financial, non-property related SMEs amounted to €2 billion during the twelve months to end-Q1 2014; this was slightly lower than new lending over the year to Q1 2013. Agriculture continues to comprise the largest share of gross new lending.
- Credit advanced to all non-financial, non-property related enterprises decreased by 0.2 per cent over the quarter, and by 5.6 per cent over the year to end-Q1 2014, bringing the stock of credit to €36.2 billion. An annual decline of 4 per cent was registered for end-Q1 2013.
- Property-related lending to all enterprises was 1.7 per cent lower over the first quarter of 2014, following a decrease of 2.4 per cent during Q4 2013. Property-related lending to SMEs fell by 2.3 per cent during Q1 2014.
- Deposits held by non-financial Irish resident private-sector enterprises fell 1.8 per cent during Q1 2014, to stand at €38.7 billion. In annual terms, deposits from non-financial enterprises grew by 9.4 per cent in the year to end-Q1 2014, which compares to 2.5 per cent at end-Q1 2013.

Credit Advanced to SMEs

Irish SME's accounted for 39 per cent of all credit advanced to private sector enterprises by resident credit institutions. The outstanding amount of credit advanced to Irish SMEs was €66.7 billion at end-Q1 2014, which represented a decrease of 1.3 per cent over the quarter (minus 2.0 per cent in Q4 2013). In annual terms, outstanding credit fell by 5.4 per cent over the year to end-March.

SME credit data includes lending to some enterprises in the financial intermediation sector, as their balance sheet size brings them into the SME category. Excluding the financial intermediation sector, credit outstanding to SMEs accounted for 65 per cent of all non-financial credit advanced (€55.3 billion) at end-March. SME non-financial credit fell by 1.2 per cent during the quarter and by 4.8 per cent over the year reflecting net repayments of €0.7 billion and €2.8 billion, respectively.

Property-related lending to SMEs, which includes the construction and real estate activities sectors, constitutes the largest share of outstanding loans to non-financial SMEs, at 56 per cent (€30.7 billion). Lending to SMEs in these sectors fell by a combined 5 per cent over the year to end-Q1 2014, a net flow of minus €1.6 billion (i.e. repayments exceeded drawdowns). Over the quarter, property-related SME lending fell by 2.3 per cent (€708 million), compared with a decline of 1.7 per cent over the last quarter of 2013.

Credit advanced to non-property, non-financial private-sector SMEs fell by 4.5 per cent (€1.2 billion) in the year to end-Q1 2014, to stand at €24.6 billion. However, there was an increase of 0.1 per cent (€32 million) over the quarter as SMEs were net borrowers, drawing down more debt than was repaid. SMEs accounted for 68 per cent of all non-financial, non-property credit.

In terms of net lending or repayment positions, SMEs were net borrowers in four non-financial, non-property related sectors during Q1 2014. There was an increase in net flows to primary industries of €15 million, while more substantive increase were registered for wholesale/retail trade and repairs (€42 million), business and admin services (€41 million) and manufacturing (€40 million). All other sectors registered a negative flow, with the human health and social work sector registering the largest non-financial, non-property decline (€38 million).

Looking at gross new lending, a total of €515 million was drawn-down in new loans to SMEs in the non-property, non-financial sectors during Q1 2014. This refers to the drawdown of loans which were not part of the closing stock of lending for the previous quarter (excludes the restructuring or renegotiation of existing facilities). This was equivalent to 2.1 per cent of the previous quarter stock of credit and represents an 11 per cent increase when compared with gross credit advanced in Q1 2013. The agriculture sector continued to constitute the largest share of new SME lending during the quarter (€151 million), followed by wholesale/retail trade and repairs (€92 million).

Credit Advanced to All Irish Resident Private-Sector Enterprises

The total amount of credit outstanding to Irish private-sector enterprises on the balance sheet of resident credit institutions was €172.5 billion at end-March 2014. Approximately 51 per cent of this amount was with respect to the financial intermediation sector, which would include holdings of debt securities issued by the NAMA Master SPV and other financial vehicle corporations. Excluding financial intermediation, the total amount of private-sector enterprise credit outstanding was €85.3 billion at end-March.

Outstanding credit to the non-financial private-sector declined 6.1 per cent in the year to end-March 2014, equivalent to a net annual flow of minus €5.7 billion. The decline was largely driven by construction and real estate credit, which fell by 6.5 per cent (€3.5 billion) over the year.
Excluding property-related and financial sectors, credit advanced to Irish private-sector enterprises stood at €36.1 billion at end-March, representing an annual decline of 5.6 per cent (€2.2 billion). Annual developments were mainly driven by declines in credit advanced to the hotels and restaurants sector, which fell 10.9 per cent and the manufacturing sector (6.4 per cent). These sectors constituted 18.7 per cent and 13 per cent, respectively, of the outstanding amount of credit to non-property, non-financial enterprises at end-March.
On a quarterly basis, non-property, non-financial loan repayments exceeded drawdowns over the three-months to end-March by €88 million. This was mainly due to a negative net flow of €214 million in the manufacturing sector, which corresponds to a 4.2 per cent decline. Seven non-financial, non-property related sectors registered a positive net lending flow during Q1 2014. The primary industries sector recorded the largest net flow of €107 million. The remaining six sectors had a combined net flow of €90 million.
Credit advanced to the traditional sectors of agriculture and manufacturing were 2.1 per cent and 6.4 per cent lower, respectively, on an annual basis at end-March 2014; this followed an annual decline of 1.4 per cent and 0.6 per cent, respectively, at end-December 2013. Combined, these sectors accounted for 25 per cent of the outstanding amount of credit to non-property, non-financial enterprises at end-March 2014.

Deposits from Irish Resident Private-Sector Enterprises

Deposits from Irish private-sector enterprises declined during Q1 2014 by €1.8 billion (1.9 per cent) to stand at €93.5 billion. In annual terms, there was an fall in deposits from Irish resident private-sector enterprises of 1.2 per cent at end-March, which compared to an annual increase of 18.8 per cent at end-2013.
The financial intermediation sector (excluding monetary financial institutions) mainly accounted for the developments in annual deposits, with a decline of €2.3 billion (4 per cent) over the year. This change was due to base effects, driven by a transaction in March 2013 related to the liquidation of the Irish Bank Resolution Corporation (IBRC). IBRC's liability to the Central Bank of Ireland was replaced by a liability to the National Asset Management Agency (NAMA), classified as an overnight deposit.
Excluding financial intermediation, deposits from private-sector enterprises increased by 9.4 per cent (€3.3 billion) in the year to end-Q1 2014, to stand at €38.7 billion. On a quarterly basis, deposits from these sectors fell by 1.8 per cent (€691 million), bringing the increases registered over the past three consecutive quarters to an end.
Deposits from six of the fifteen non-financial sectors increased in Q1, with the largest increase from enterprises engaged in other community, social and personal services (€305 million), followed by enterprises engaged in manufacturing (€230 million). The largest decrease in deposits during the

quarter was in the wholesale/retail trade & repairs sector (€592 million). This sector had registered the largest increase in the previous quarter.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Trends in Personal Credit and Deposits: Q1 2014

9 June 2014

Credit to Irish private households continued to decline in both annual and quarterly terms. Annual rate of change in personal deposits declined at an accelerating pace.

Summary:

- Total credit to Irish private households outstanding on the balance sheet of resident credit institutions was €97.8 billion at end-March 2014, representing a quarterly decline of 1.2 per cent and an annual decline of 3.6 per cent.
- The total amount of loans outstanding for house purchase, including loans that have been securitised and continue to be serviced by resident credit institutions, stood at €121.9 billion at end-March 2014, down from €122.6 billion in Q4 2013.
- The total deposits held in resident credit institutions by Irish private households were €85.6 billion at end-Q1 2014, representing an annual decrease of 1.5 per cent.

Credit Advanced to Private Households – Loans for House Purchase

The analysis below relates to on-balance sheet lending, unless otherwise indicated.

- The annual rate of change in loans for house purchase was minus 3.1 per cent at end-March 2014, following a decline of 3 per cent in Q4 2013. There was a quarterly decline of 0.9 per cent, which represents the seventeenth consecutive quarterly decline. The outstanding amount of on-balance sheet loans for house purchase stood at €83.3 billion at end-March. A further €38.6 billion of securitised mortgages, which continue to be serviced by resident credit institutions, are also outstanding.
- Floating rate mortgages, which include standard variable rate, tracker rate, and mortgages with a fixed rate up to one year[3], accounted for 94 per cent of the outstanding amount of loans for house purchase at end-March 2014 – a decline of €478 million over the quarter. Tracker mortgages alone accounted for 49 per cent of outstanding house purchase loans and recorded a €1 billion decrease in Q1. Standard variable rate mortgages increased by €441 million during Q1, and

accounted for 43 per cent of outstanding house purchase loans at end-March.

- Fixed rate mortgages accounted for 6 per cent of the outstanding amount of loans for house purchase at end-March 2014, following a net decline of €311 million during the quarter. The quarter-on-quarter decline was mainly driven by the over one and up to three year fixed rate category which registered a net decline of €199 million.
- Loans for principal dwellings, which accounted for 75 per cent of loans for house purchase at end-March, fell by €592 million over the quarter. This reflected a fall of €293 million in fixed rate mortgages and a fall of €298 million in floating rate mortgages. The annual rate of decline in loans for principal dwellings was 2.2 per cent in Q1 2014, which follows a similar decline in Q4 2013.
- Standard variable mortgages on principal dwellings and mortgages fixed for up to one year increased by €378 million and €92 million, respectively during Q1, while tracker mortgages fell by €768 million. Floating rate mortgages accounted for 93 per cent of the on-balance sheet outstanding amount of loans for principal dwellings at end-March. Of these floating rate loans, 49 per cent were tracker mortgages, 49 per cent were standard variable and 2 per cent were up to one year fixed. For securitised mortgage pools, the share of floating rate mortgages for principal dwellings was slightly higher at 97 per cent (Chart 3).
- The outstanding amount of loans for buy-to-let residential properties (representing 24 per cent of loans for house purchase) fell by €178 million to stand at €19.9 billion at end-March. This decline reflected a fall of €162 million in floating rate mortgages, all of which was seen in the tracker mortgage category. Floating rate mortgages accounted for 97 per cent of the outstanding amount of loans for buy-to-let properties at end-Q1. These floating rate loans were composed of 63 per cent tracker mortgages and 36.5 per cent standard variable mortgages. There was an annual decline of 5.3 per cent in loans for buy-to-let residential properties at end-Q1.
- Loans for holiday homes/second homes accounted for 1 per cent of loans for house purchase at end-March 2014. Floating rate mortgages accounted for 95 per cent of the outstanding amount of loans for holiday homes/second homes at end-March. Of these floating rate loans 57 per cent were tracker mortgages and 43 per cent were standard variable mortgages. The annual decline in loans for holiday homes/second homes was 12.9 per cent at end-Q1.

Credit Advanced to Private Households – Other lending

- Non-housing related lending, or ‘other personal’ lending, accounted for 15 per cent (€14.5 billion) of total on-balance sheet credit advanced to Irish private households by resident credit institutions at end-March 2014.

- Lending in this category fell by 6.5 per cent in the year to end-March. This followed an annual decrease of 8.8 per cent at end-December 2013.
- Non-housing related lending to private households peaked in Q1 2009 at €28.9 billion. By end-March 2014 it had declined by 33.2 per cent from that peak to €14.5 billion.
- Non-housing related lending to private households declined by €370 million during Q1 2014 (2.4 per cent). This reflected a decline in both finance for investment purposes, and finance for other non-housing related purposes of €61 million and €309 million, respectively.

Deposits from Private Households

- The deposits held in resident credit institutions by Irish private households stood at €85.6 billion at end-March 2014. This represents a decrease of €72 million (0.1 per cent) during the quarter.
- The outstanding amount of personal deposits was 1.5 per cent lower on an annual basis at end-March 2014; the year-on-year decline at end-December 2013 was 1.1 per cent.
- The net flow of personal deposits in the year ending March 2014 was minus €72 million.

[1] Chart relates to on-balance sheet lending.

[2] Loans with interest rates fixed for a period up to one year are included with floating rate loans in line with international practice.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Holders of Irish Government Bonds - April 2014

11 June 2014

Key Developments:

- The nominal value outstanding of government bonds at end April 2014 stood at €113,155 million.
- Resident holders accounted for 47.5 per cent of Irish government bonds with resident credit institutions and the Central Bank of Ireland accounting for 91 per cent of these resident holders.

Outstanding government bonds[1] stood at €113,155 million in April 2014, with 11.5 per cent due to mature in less than three years. At end-April 2014, resident holders held 47.5 per cent of long-term Irish government bonds. Resident credit institutions and the Central Bank of Ireland, account for 91 per cent of this resident holding.

The resident non-bank financial sector reported holding €2,903 million in April 2014 of which 42 per cent of this sector was held by other financial intermediaries with the balance being held by insurance corporations and pension funds[2].

Approximately 25 per cent of all resident holdings will mature within the next 5 years. Furthermore, 29 per cent (or €17.6 billion) of long-term bonds held by non-resident investors will mature from 2023 onwards.

Note to Editors:

This data series was published for the first time in February 2014. The new series is based on different source information, so it is not directly comparable with previous publications. Care should, therefore, be exercised in comparing the new series with earlier publications.

This has arisen due to the introduction of the Securities Holdings Regulation by the ECB in December 2013. The dataset is compiled from data submitted by all custodians resident in Ireland, direct reporting by end investors and information from the Government Bond Register held by the Central Bank to provide breakdowns by maturity and by holding sector.

[1] Please see background information below and the explanatory notes for further information

[2] This figure only includes those holdings held by Irish resident custodians on behalf of insurance companies or pension funds.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Security Issue Statistics – April 2014

12 June 2014

Trends in Market-based Financing of all Irish-resident Entities

- The outstanding amount of debt securities issued by Irish firms, and by the Government sector was €855.9 billion at end-April 2014, a decrease of 7 per cent year-on-year. The outstanding amount of debt securities issued by euro area residents decreased by 1 per cent.
- Market-based debt financing for the banking sector stood at €70.8 billion in April 2014, a decrease of 11 per cent year-on-year.
- Equity shares had an outstanding value of almost €285.8 billion at end-April. Quoted shares (€285.5 billion), which are predominant in the equity category, saw a year-on-year increase of 30 per cent. The value of the stock of quoted shares issued by euro area residents increased by close to 23 per cent.

Banking Sector

Market-based debt financing for the banking sector increased by almost €400 million in April 2014 (compared to a decrease of €1.6 billion in March). This increase primarily reflected net issuance of short-term debt securities.

€27.4 billion (or 39 per cent) of the total debt securities issued by the banking sector will fall due within the next 12 months.

Since April 2013, the outstanding amount of debt securities for this sector has decreased by 11 per cent to €70.8 billion with short-term debt contracting by 23 per cent (Chart 1 and 2). Over the past 12 months, the total outstanding amount of debt securities for this sector across the euro area decreased by close to 8 per cent.

The market value of equity securities in the banking sector saw a year-on year increase of 24 per cent[1] to €21.4 billion (Chart 3). This increase is primarily as a result of valuation changes.

Non-Financial Corporations

The outstanding amount of debt securities issued by non-financial corporations (NFC) increased to almost €7.9 billion in April 2014 (Table 1).

Approximately €1.2 billion (or 16 per cent) of the total debt securities issued by NFCs will fall due within the next 12 months.

In April 2014, the value of the quoted shares issued by the NFC sector decreased from €251 billion to €240 billion. This still represented a year-on-year increase of 28 per cent (Chart 4). The annual percentage change in market capitalisation for NFCs in the euro area was approximately 20 per cent.

[1] As per compilation methodology utilised by the Central Bank of Ireland

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Retail Interest Rate Statistics: April 2014

13 June 2014

Key Developments

- The interest rate on new loans to households for house purchase, with either a floating rate or short-term rate fixation, fell by four basis points to 3.18 per cent at end-April 2014. The weighted average rate on outstanding loans for house purchase remained at 2.81 per cent at end-April 2014.
- The weighted average interest rate on total outstanding household term deposits continued to decline to 1.99 per cent at end-April; rates in this category have been in consistent decline since May 2012. Over the past number of months, there has been evidence of household deposits moving from medium-term categories towards the overnight category, highlighting the low deposit rates currently on offer across all maturities.
- New business rates for non-financial corporation (NFC) loans of less than €1 million[1] increased by 33 basis points to 5.14 per cent at end-April, some 139 basis points higher than the equivalent euro area rate. These rates continue to be volatile due to the low volumes of new business.
- The weighted average interest rate on outstanding NFC term deposits decreased by three basis points to 1.34 per cent at end-April. The rate offered on new NFC term deposits was considerably lower, despite recording a five basis point increase to 0.45 per cent at end-April.

Households

Loans to Households

The interest rate on new loan agreements to households for house purchase, with either a floating rate or initial rate fixation of up to one year, was 3.18 per cent at end-April 2014, representing a four basis point decrease from the end-March rate. The corresponding end-April interest rate for the euro area was 46 basis points lower at 2.72 per cent. Floating rate loans accounted for 86 per cent of all new mortgage business in the domestic market over the past year. In contrast, floating rate loans in the euro area accounted for 27 per cent of new mortgage business over the same period.

The weighted average interest rate on outstanding loans to households for house purchase remained stable at 2.81 per cent at end-April 2014. The corresponding end-April interest rate for the euro area was higher, at 3.31 per cent. Interest rates on outstanding mortgages in Ireland have typically reflected movements in the ECB's main refinancing rate (MRO), due to the higher proportion of tracker and other variable rate mortgage products in the domestic market (Chart 1). This is illustrated by a 13 basis point fall in Irish rates compared with a four basis point decrease in euro area rates resulting from the ECBs decision to cut its MRO rate in November 2013.

The weighted average interest rate on new loans to households for non-housing purposes increased by 16 basis points over the month, to stand at 7.42 per cent. This monthly rise was mainly driven by a sharp increase in rates on loans for other purposes. It should be noted, however, that new business volumes for loans to households for non-housing purposes have been particularly low in recent years, resulting in a volatile series.

The weighted average interest rate on outstanding amounts of non-housing related loans was 6.52 per cent in April 2014, representing a 12 basis point fall over the month, and a 32 basis point rise since April 2013. This year-on-year increase was mainly driven by medium- and long-term loans for consumption and other purposes. The corresponding rate for all non-housing loans in the euro area was lower at 5.54 per cent in April 2014.

Deposits from Households

Interest rates on new household term deposits fell by one basis point to 0.75 per cent at end-April 2014. This represents a year-on-year decrease of 37 basis points.

The weighted average interest rate on total outstanding household term deposits continued to fall in April to 1.99 per cent, representing a 154 basis point drop since their last increase in April 2012. Developments have been mainly driven by declining rates in medium-term deposits (agreed maturity up to two years). Over the past number of months, there has been a discernible movement of deposits from the medium-term category towards the overnight category, highlighting the low interest rates currently on offer. At end-April 2014, interest rates on deposits with agreed maturity up to two years stood at 2 per cent, representing a 92 basis point decrease since end-April 2013.

Non-Financial Corporations (NFCs)

Loans to NFCs

The weighted average interest rate on new loan agreements to NFCs up to €1 million (often used as a proxy for SME lending), increased by 33 basis points over the month to 5.14 per cent at end-April. The corresponding interest rate charged by euro area credit institutions for April was 139 basis points lower at 3.75 per cent.

In terms of new business for NFC loans above €1 million, the weighted average interest rate decreased by 29 basis points to 3.24 per cent at end-April. The volumes in new business categories have been particularly low, resulting in pronounced month-on-month volatility. The equivalent euro area interest rate showed a two basis point fall over the month to 2.3 per cent.

The weighted average interest rate on outstanding loans to NFCs issued by Irish-resident credit institutions remained relatively stable at 3.1 per cent at end-April 2014 (Chart 2). The April rate lies slightly above the twelve-month average of 3.04 per cent. The euro area weighted average interest rate for the month of April was 3.28 per cent.

Deposits from NFCs

The interest rate on new NFC term deposits increased by five basis points to 0.45 per cent at end-April 2014. This rate has been relatively constant over the past year, recording a twelve-month average of 0.44 per cent. The equivalent monthly rate offered by euro area credit institutions was higher at 0.76 per cent at end-April 2014.

The weighted average interest rate on outstanding NFC term deposits declined by three basis points during April 2014 to 1.34 per cent. This represents a fall of 64 basis points since April 2013. Annual developments were driven by deposits with agreed maturity of up to two years, which accounted for 95 per cent of all NFC term deposits over the year.

Note:

Retail Interest Rate Statistics cover all euro-denominated lending to, and deposits from, households and non-financial corporations (NFCs) in the euro area by credit institutions resident in Ireland. Interest rates on outstanding amounts cover all loans and deposits outstanding on the last working day of the month, while interest rates applicable to new business volumes cover all new loan and deposit business agreed during the month.

For retail interest rate statistics purposes, new business is defined as any new agreement between the customer and the credit institution. This agreement covers all financial contracts that specify, for the first time, the interest rate of the deposit or loan, including any renegotiation of existing deposits and loans. Automatic renewals of existing contracts, which occur without any involvement by the customer, are not included in new business. New business volumes have been exceptionally low in various instrument categories during the last number of months. Low volumes of this nature can result in increased volatility within the interest rate series.

Further information

For queries contact: Central Bank, Press Office at press@centralbank.ie or (01) 224 6299

[1] The weighted average interest rate on new loans to NFCs, up to €1 million, is often taken as a proxy for the prevailing rate applicable to SME lending.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Consumer Notice on Crowdfunding, including Peer-to-Peer Lending

17 June 2014

The purpose of this notice is to alert consumers to the fact that crowdfunding, including peer-to-peer lending, is currently not a regulated activity in Ireland.

As a result, certain protections do not apply to consumers of crowdfunding, and consumers who engage in this activity should be aware of the following :

- The Central Bank of Ireland's codes of conduct and the protections which they provide to consumers, do not apply to crowdfunding platforms;
- Crowdfunding platforms are not required to comply with client asset rules;
- Consumers of crowdfunding are not protected by the Deposit Guarantee Scheme or the Investor Compensation Company Limited (ICCL) scheme; and
- Complaints in relation to crowdfunding cannot be made to the Financial Services Ombudsman (FSO) as the FSO only deals with complaints in relation to a regulated firm.

While any investment, even through a regulated firm, carries with it an element of risk, there are specific risks to consider when any consumers consider participation in crowdfunding, including:

- The risk of the crowdfunding platform failing with a potential loss of some or all of their money;
- The risk of losing some or all of their money, should the business receiving the loan or investment fail, or the borrower default on loan repayments;
- The risk that the return on their investment is less than expected; and
- The risk of misleading or insufficient information disclosure, unfair contract terms or misleading commercial practices, and the absence of dispute resolution and redress mechanisms.

The Central Bank of Ireland is actively monitoring developments in this area and will continue to work closely with other European authorities in this regard. As this work progresses, the Central Bank may publish further information on this topic.

What is crowdfunding?

Crowdfunding can be described as a way in which money can be raised from a large number of individuals or organisations, to fund a business, project or personal loan, and other needs through an online web-based platform. It is a type of market-based finance that could help stimulate funding to small and medium-sized enterprises (SMEs) as well as personal lending. In addition, crowdfunding investments could potentially make up part of a diversified investment portfolio, especially for sophisticated investors.

How does crowdfunding work?

Crowdfunding can be structured in a number of ways. The most common models are:

- The **Lending** based Model where individuals lend money to a company, project or consumer in return for repayment of the loan and interest on their investment; this is also known as peer-to-peer lending. At this time, peer-to-peer lending is the only form of crowdfunding to have an established presence in Ireland.
- The **Equity** based model where individuals make investments in return for a share of the profits or revenue generated by the company/project.
- The **Donations or Rewards** based model where individuals provide money to a company or project for benevolent reasons or for a non-monetary reward.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Business Cheques Down 21% with e-Day Just Three Months Away

18 June 2014

With just three months to go before e-Day, new figures from the National Payments Plan (NPP) show that the number of business cheques written in Ireland has dropped by 21 per cent since 2012.

An estimated 39 million business cheques were written in the last year compared to 49.5 million two years ago. The number of personal cheques written in Ireland also declined during this period, though at a somewhat slower rate of 13 per cent: from 26.5 million two years ago to 23 million per annum now.

The figures are released as the NPP reminds businesses that there are just three months to go before e-Day (19th of September). e-Day is the date from which central Government, local authorities and State agencies stop issuing and accepting cheques from businesses.

NPP Programme Manager Ronnie O'Toole said: "Clearly businesses are migrating away from cheque usage and opting for more efficient payment methods instead. e-Day will move this process along while reducing costs for businesses."

O'Toole continued: "Cheques are an expensive means of payment for businesses because of bank charges, stamp duty, postage, time spent making lodgements, unpaid cheques, and the 'cheque is in the post' culture of late payments. It shouldn't be surprising to learn that businesses are moving away from cheques at a faster rate than consumers."

The NPP estimates that savings of up to €1 billion per annum could be made to the economy as Ireland migrates away from cheques and cash in favour of electronic payments. This will result in reduced costs and improved cash-flow for both the business sector and consumers.

O'Toole continued: "Although we hope e-Day will provide a catalyst for broader migration towards e-payments, it will not directly affect consumer cheque usage. A 2012 survey by the National Consumer Agency and the NPP found that older people and people living in rural areas are more likely to use cheques, and that many would have considerable difficulty migrating away from cheques altogether. Therefore e-Day relates to business cheques only."

Notes to Editor:

The figures cited combine annual cheque numbers with a survey of 16,000 cheques that took place in April and May this year at AIB Bank, Bank of Ireland, permanent tsb and Ulster Bank. In this study, business cheques refer to those written by corporates, large businesses, SMEs, the State, financial institutions and unincorporated bodies, as well as bank drafts.

The National Payment Plan's Vision for Payments

- Electronic forms of payment will be universally accepted, and be the preferred payment choice for most;
- Irish consumers and businesses will have access to the advantages of the most innovative payment methods, and the knowledge and confidence to fully utilise them;
- Payment systems will be robust and reliable;
- Pricing for payments will foster the migration from cash and cheques to cards and electronic payments;
- Cash will remain a widely used method of payment, and must be provided in an efficient, secure manner;
- Cheque usage will fall, though will remain available to those who wish to use them, and consumers will not be obliged to discontinue using them.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Central Bank Publishes Discussion Paper on Risk Appetite

20 June 2014

The Central Bank today (20 June 2014) publishes a discussion paper on the importance of an effective Risk Appetite Framework.

The purpose of this paper is to generate discussion and debate among stakeholders on risk appetite, its linkage with organisational strategy, and its importance for financial institutions. The main concepts and theories of risk appetite and its place within Risk Appetite Frameworks are considered. Finally, the paper provides some suggestions as to what a risk appetite statement might contain.

The paper is aimed primarily at directors and then at senior management within organisations regulated by the Central Bank. The view of the Central Bank is that the Board is ultimately responsible for risk management and strategy and the paper sets out that risk appetite must be considered with strategy because they are fundamentally interlinked.

ENDS

Further information: Press Office: (01) 224 6299; press@centralbank.ie

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Central Bank Publishes Second Consultation Paper on Proposed Additional Consumer Protection Requirements for Debt Management Sector

20 June 2014

The Central Bank of Ireland today (20 June 2014) publishes a second consultation paper (CP82) on proposed additional consumer protection requirements, specifically for debt management firms, to supplement the Consumer Protection Code 2012. Debt Management firms are now regulated by the Central Bank following the enactment of new legislation in 2013.

Following the completion of an initial consultation phase in February 2014, the Central Bank has decided to seek further views on certain important proposals. These include: client leads; use of credit to pay for debt management services; and a cooling off period.

The purpose of this second consultation is:

1. to outline the position we have reached on some of the issues and questions posed in the first consultation;
2. to highlight a number of new or amended provisions that we have included on certain issues arising from the analysis of responses to the first consultation; and
3. to give a final opportunity to our stakeholders to review a full version of the proposed new Code provisions.

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Further information: Press Office: (01) 224 6299; press@centralbank.ie

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Central Bank of Ireland Issues Warning on Unauthorised Investment Firms

27 June 2014

The Central Bank today published the names of two unauthorised investment firms, Connor Simmons Group (USA) and Stealth Takeovers (USA). Connor Simmons Group (USA) and Stealth Takeovers (USA) are not authorised as investment firms by the Central Bank.

It is a criminal offence for an unauthorised person or firm to provide financial services in Ireland that would require an authorisation under the relevant legislation for which the Central Bank is the responsible body for enforcing. Consumers should be aware that if they deal with a firm which is not authorised, they are not eligible for compensation from the Investor Compensation Scheme.

Any person wishing to contact the Central Bank of Ireland with information regarding such firms may telephone (01) 224 4000. This line is also available to the public to check if a firm is authorised. Since obtaining the necessary legal powers in August 1998, the names of 227 unauthorised persons or firms have been published by the Central Bank.

Notes to editors

The name of the above firms are published under the Central Bank (Supervision and Enforcement) Act 2013.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

New Research on Operational Targets and the Yield Curve in the Euro Area and Switzerland

27 June 2014

The Central Bank of Ireland today publishes a new Economic Letter on "Operational targets and the yield curve: the euro area and Switzerland" (Economic Letter Vol. 2014 No.4).

The research presents a comparative analysis of the correlation between policy rate changes and bond yields across the term structure in the euro area, where the implicit target of monetary policy is the overnight rate, and Switzerland, where the target is a three-month rate.

The main findings of the research are as follows:

- The operational targets of the European Central Bank (ECB) and the Swiss National Bank (SNB) are different; the ECB implicitly targets an overnight rate while the SNB explicitly targets a three-month rate.
- The literature is somewhat divided on the benefits of targeting further out the term structure.
- In a recent IMF discussion paper on monetary policy, Bayoumi et al. (2014) note that in addition to focusing on rates that are most relevant for spending decisions, targeting longer-term interest rates can offset the economic impact of shocks to the term premium and reduce the risk of hitting the zero lower bound.
- However, as noted by Amstad and Martin (2011), longer-term money market rates are more challenging to target directly, in part because market participants determine the supply and demand for such funds. Furthermore, targeting a longer-term rate can increase volatility in short-term rates.
- The results from a regression analysis estimating the effect of monetary policy shocks on the yield curves in each jurisdiction indicate that unanticipated policy rate changes by the ECB and SNB are significantly and positively correlated with changes in German and Swiss government bond yields out to 6 years and 20 years, respectively.
- The results are robust to a number of specifications and tests.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Consolidated Banking Statistics: Foreign Claims: Q1 2014

27 June 2014

Overview:

- Domestic banks'[1] showed a slight retrenchment of foreign activities in Q1 2014 with a 0.1 per cent decline to €93 billion in their claims on foreign residents. The decline was mainly driven by reduced claims on foreign private sectors which was somewhat offset by an increase in claims on foreign public sectors and credit institutions.
- The outstanding amount of foreign claims classified as local[2] declined by 17.9 per cent in the twelve months to March 2014, while cross-border[3] claims increased by 4.6 per cent. This continues a pattern of retrenchment in local markets, although this is somewhat offset by a tentative pick-up in cross-border lending.
- Domestic banks' largest foreign claims continue to be on the UK which accounts for 75 per cent of foreign claims; the majority of these are vis-à-vis the non-bank private sector.

The Domestic Irish Banks' Consolidated Foreign Claims

At end-March 2014, domestic banks had foreign claims of €93 billion, representing a marginal decrease of €139 million over the quarter; this follows two consecutive quarters of increasing foreign claims[4]. The decrease was driven by a fall in claims on foreign private sectors which fell by €899 million (1.2 per cent) over the quarter. Meanwhile, claims on foreign public sectors and foreign banks increased during Q1 2014 by €552 million (4.8 per cent) and €207 million (2.1 per cent), respectively. Claims on foreign private sectors are predominant, accounting for 76 per cent of total foreign claims at end-March. Claims on foreign public sectors and credit institutions are relatively small in comparison, accounting for 13 and 11 per cent, respectively, of total foreign claims. At end-Q1 2014 total foreign claims reported a quarter-on-quarter decline of 0.1 per cent and a more pronounced year-on-year decline of 12.4 per cent. The annual reduction in total foreign claims is expected, given that the domestic banking groups continue to downsize their operations abroad.

Consistent with the recent trends, the end-March 2014 data show that local claims, at €66 billion, were far greater than cross-border claims which stood at €27 billion. Over the years from September 2009 to December 2012, cross-border credit has been declining at a much faster annual rate than local claims. However, 2013 saw a reversal of this trend, with the annual rate of decline in local claims outpacing that of cross-border claims. At end-March 2014, the annual rate of change for cross-border claims stood at 4.6 per cent, this marked the first annual increase in this series since Q1 2008. Meanwhile local claims showed an annual decline of 17.9 per cent at end-March 2014.

The domestic banks' largest foreign claims are on the United Kingdom (including Northern Ireland), with exposures of €70 billion at end-March 2014. Foreign claims on the UK increased by 1.3 per cent over the quarter. This was driven by an increase in claims across all three sectors; claims on UK credit institutions increased by 14.3 per cent over the quarter, while claims on UK public and private sectors increased by 3.2 per cent and 0.7 per cent, respectively. Chart 2 shows that the vast majority of the domestic banks' claims on the UK are on the non-bank private sector, while exposures to credit institutions and the public sector are very small relative to overall UK exposures.

There was a 29.4 per cent or €1.4 billion decrease in claims on the US over Q1 2014. This decline was relatively evenly spread across US public sector, private sector and credit institution claims.

France, the Netherlands, Spain and the Isle of Man were also important locations for foreign claims of Irish banks at end-Q1 2014. The cumulative change in the domestic banks foreign claims on these four countries was minus 335 million over the first quarter of 2014. Foreign claims on Spain and France declined by 13.4 per cent and 2.7 per cent, respectively over the quarter. Meanwhile, claims on the Netherlands and the Isle of Man increased by 2.4 and 0.3 per cent over the quarter.

Note:

The consolidated banking statistics detail the claims of the domestic banks on non-residents, by counterpart country and sector on an ultimate risk basis i.e. according to the country and sector where the ultimate guarantor of the risk resides. The dataset used is similar in methodology to the Consolidated Banking Statistics published by the Bank for International Settlements (BIS), but differs in coverage, as it refers only to the domestic Irish banks.

The dataset begins in December 2004 and the latest data published relate to end-December 2013.

[1] In this case, the Central Bank of Ireland defines domestic banks as those banks whose ultimate parent entity is resident in Ireland.

[2] Local claims refer to lending by non-resident affiliates of domestic banks in the country where the affiliate is located.

[3] Cross-border claims cover exposures where the country of ultimate risk differs from the residency of the bank office making the loan.

[4] While the tables show a decrease in Q4 2013, this was due to technical factors – underlying lending actually increased.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Central Bank of Ireland Publishes Feedback Statement to CP76 - Consultation on the Introduction of a Tiered Regulatory Approach for Credit Unions

30 June 2014

The Central Bank has published a feedback statement on Consultation Paper CP76 – Introduction of a Tiered Regulatory Approach for Credit Unions, which outlines the Central Bank's response to the key matters raised during the consultation process and the proposed next steps.

Following a three-month consultation period, the consultation closed on 31 March 2014. The Central Bank received 164 responses to CP76.

While the Central Bank is of the view that a two-tier regulatory approach for credit unions is consistent with the recommendations of the Commission on Credit Unions, in light of the feedback received, we consider it appropriate that a process of further communication and engagement with credit unions should be undertaken prior to taking a decision on the introduction of a tiered regulatory approach for credit unions.

Arising from the wide range of views received in submissions on CP76, this further engagement will provide an opportunity for the Central Bank to outline to credit unions the purpose, scope and operation of the regulatory framework and engage with credit unions on how this can support the prudent development of the credit union sector.

Next Steps

The Central Bank proposes to complete the introduction of the strengthened regulatory framework by developing regulations for all credit unions under the regulation making powers contained in the Credit Union and Co-operation with Overseas Regulators Act 2012. These will include regulations on lending, savings, investments, borrowings, liquidity and reserves, that take account of the existing regulatory framework and feedback received on CP76.

The Central Bank proposes to publish a consultation paper, including a Regulatory Impact Analysis, on the proposed regulations later in the year.

The Central Bank will also undertake a programme of nationwide information seminars in October to inform and engage with credit unions on the proposed new regulations and the next steps in developing the regulatory framework for credit unions.

Any queries in relation to this feedback statement should be directed to the Registry of Credit Unions Division at e-mail rcu@centralbank.ie.

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Further information: Press Office: (01) 224 6299; press@centralbank.ie

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

Money and Banking Statistics: May 2014

30 June 2014

Credit to households and non-financial corporations continued to contract on an annual basis, despite encouraging monthly developments in the NFC sector. Irish resident private-sector deposits also declined on an annual basis. [1]

Loans and other credit

- Household loan repayments exceeded drawdowns by €490 million during May 2014, following a net monthly decrease of €462 million in April. Developments in May reflect a decline across all categories of household loans, with the most substantial decrease relating to loans for house purchase, which fell by €298 million over the month.
- On an annual basis, lending to Irish households continued to fall, decreasing by 3.7 per cent in May 2014. Loans for house purchase, which account for 79 per cent of total household loans, declined at an annual rate of 3.0 per cent. Lending for consumption and other purposes declined by 5.8 per cent over the year.
- Loans to Non-financial corporations (NFCs) reported their first positive net flow in eighteen months with an increase of €28 million in May 2014. Developments during the month were driven by medium and short-term NFC loans which increased by €105 million and €66 million, respectively; this increase was only partially offset by a €142 million fall in longer-term NFC loans. However, the outstanding stock of loans to the NFC sector fell during the month due to large reclassifications and revaluations in this category.
- Lending to Irish resident NFCs reported a year-on-year decline of 5.5 per cent in May 2014, following an annual decrease of 6.2 per cent in April. This resulted from declines across all maturity categories, with annual declines of 6 per cent, 1.4 per cent and 3 per cent recorded for short, medium and long-term sectors, respectively.
- Credit institutions' holdings of debt and equity securities issued by the Irish private sector decreased by €335 million during May 2014, following a decrease of €179 million in April. This brought the annual rate of decline at end-May to 13 per cent. A fall of €302 million in holdings of securities issued by the ICPF sector was the predominant reason for the quarter-on-quarter change.

Deposits and other funding

- Irish resident private-sector deposits fell by €5.5 billion during May 2014; this was mainly driven by a €6.3 billion fall in deposits from the OFI sector, the largest component of which related to the winding-down of IBRC. Deposits from ICPFs and households also decreased over the month, albeit by the more moderate amounts of €283 million and €72 million, respectively. Meanwhile, deposits from Irish resident NFCs showed a €1.2 billion increase over the month.
- Looking at the maturity breakdown, overnight deposits, which include current accounts, decreased by €4.7 billion in May 2014. A fall of €5.9 billion in overnight deposits from the OFI sector, arising largely from the IBRC-related transactions referenced above, explain this decline. Overnight deposits from the ICPF sector also declined by a more modest €55 million, however, this was offset by increases of €982 million and €230 million, respectively, from the NFC and household sectors.
- Deposits with agreed maturity up to two years decreased by €606 million during May. This resulted from falls in the OFI, ICPF and household sectors of €394 million, €239 million and €189 million, respectively. Meanwhile, medium-term deposits from the NFC sector increased by €216 million over the month.
- Deposits with agreed maturity over two years decreased by €135 million during the month of May. This reflects the decline in the household, NFC and OFI sectors of €114 million, €13 million and €10 million, respectively. By contrast, longer-term deposits among ICPFs showed a slight increase of €2 million in May 2014.
- On an annual basis, deposits from the Irish resident private sector declined at a rate of 3.4 per cent in May 2014, following a fall of 0.4 per cent in March. Exhibiting similar trends to last month, NFC deposits increased over the year by 12.1 per cent; meanwhile, deposits from ICPFs and households declined by 16.4 per cent and 0.2 per cent, respectively.
- The annual rate of change in OFI deposits was minus 16.8 per cent in May 2014, compared to an annual increase of 33.4 per cent in May 2013. This development is due to base effects, driven by a transaction in March 2013 related to the liquidation of the Irish Bank Resolution Corporation (IBRC). IBRC's liability to the Central Bank of Ireland was replaced by a liability to the National Asset Management Agency (NAMA), classified as an overnight deposit. This position will be unwound as the assets which currently remain on the IBRC balance sheet are transferred.
- Non-resident private-sector deposits fell by €763 million during May 2014, following a €424 million decrease in April. Developments in May were mainly driven by a €657 million decrease in private sector deposits from non-euro area residents, the majority of which was withdrawn from IFSC banks. Private-sector deposits from other euro area residents also fell by €184 million over the month. In annual terms, private-sector deposits from non-euro area residents decreased by 19 per cent and deposits from other euro area residents decreased by 7.9 per cent.

- Credit institutions' borrowings from the Central Bank as part of Eurosystem monetary policy operations fell by €2.3 billion in May 2014. The outstanding stock of these borrowings amounted to €30 billion at end-May. The domestic market group of credit institutions accounted for €22.4 billion of this total outstanding stock and current levels represent the lowest level of reliance on central bank funding since August 2008.

Note

Money and Banking Statistics currently include an aggregate balance sheet for the entire population of resident credit institutions, reported in Table A.4. Please note that the composition of the subsets of the population reported in Tables A.4.1 and A.4.2 have been updated as follows:

A.4.1 – Domestic Market Group: Institutions whose ultimate parent entity is resident in Ireland (including credit unions), or which have a significant (>20 per cent) level of business with Irish households and non-financial corporations in terms of their overall resident business activity.

A.4.2 – Irish-Headquartered Group: Institutions whose ultimate parent entity is resident in Ireland. This includes all credit unions.

[1] Money and Banking statistics are compiled in respect of business written out of all within-the-State offices of both credit institutions authorised to carry on banking business in the State under Irish legislation and credit institutions authorised in other Member States of the EU operating in Ireland on a branch basis. Credit institutions authorised in other EU Member States operating in Ireland on a cross-border basis, i.e. with no physical presence in the State, are not included in the statistics.

Note: You can request publications or documents referenced in this press release by emailing webadmin@centralbank.ie.

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