



Financial Stability Group Meeting No. 1

16th January 2017

Department of Finance, Government Buildings, Upper Merrion St, Dublin
2, D02 R583

Attendance:

Department of Finance

Derek Moran

Ann Nolan

Des Carville

John Hogan

Eoin Dorgan (Sec)

Central Bank

Philip Lane

Sharon Donnery

Cyril Roux

NTMA

Conor O’Kelly

Frank O’Connor

1. Accounts of previous meeting and matters arising.

A number of minor amendments were agreed to the accounts of the November and December Principals’ Group meetings. These accounts were agreed subject to these changes.

2. Financial Stability Group – Finalised Terms of Reference

The circulated Financial Stability Group terms of reference, which reflected changes received from members, were agreed. Following this decision, it was agreed that the meeting would be the first meeting of the new Financial Stability Group.

3. Financial Stability Group – Operational Arrangements

There was feedback on the draft operational arrangements document that was circulated, including:



- Specific textual changes to ensure the FSG had a broad focus and operational flexibility so as to protect against the FSG being constrained by specific procedures set out in the draft document;
- The need to demonstrate the different focus of the FSG from the Principals' Group by concentrating on forward looking risk identification;
- The FSG should be a forum for consideration of existing work conducted by the member bodies;
- Reports by the Bank of International Settlements (BIS), the ECB, and the IMF will be useful in providing risk reviews for future consideration; and
- All sharing of confidential information will be strictly in line with statutory requirements.

A shorter version of the operational arrangements was requested and in reviewing such a document, the FSG will consider whether such a document is required given the general agreement on the operation of the FSG. In tandem with this work, D/Finance will prepare an indicative calendar of papers/policies that could be considered by the FSG over course of the year.

The Central Bank has been undertaking some initial work on potential crisis simulation exercises and it was agreed that the FSG will consider this issue in more detail at subsequent meetings.

4. Tour de table of key current risks

5. Specific policy issues requiring discussion at FSG

The discussion of key current risks and specific policy issues were taken together and it was agreed that this agenda item would not be split in the future.

Department of Finance update:

On the wider issue of Brexit, Government is focused on analysis of potential impacts and on policy responses. This work is being overseen by the Brexit Cabinet Committee, its work groups and sub-groups.



A Government decision on public sector pay arrangements should be expected in the short-term, possibly during the week.

EU Commission economic analysis is increasingly focusing on the potential impacts of Brexit and is now more in line with the Department's assessment of risks as being on the downside. All members agreed that there are significant risks posed by US policy changes in relation to international trade, investment, and corporate tax. These risks will feature strongly in the Department's economic analysis and policy work during the year.

An update on the ongoing Apple recovery process was provided.

There are a series of private members' bills related to the financial sector currently receiving Oireachtas consideration and the Department may be assisting Deputies in their work on these bills.

The Public Accounts Committee report on NAMA Project Eagle is due at end-January or start-February.

The work of the IBRC Commission of Inquiry continues.

Central Bank update:

The Central Bank updated on the Bank of England Governor's statements on financial stability risks to the EU of Brexit.

The Central Bank also sees financial stability risks posed by the current optimism in bond markets.

The Bank also identified that the international trade environment will pose significant risks, although there may be some small positives for Europe.

The Governor is chairing the Economic Statistics Review Group (ESRG), which was commissioned by the Central Statistics Office to examine the implications of globalisation for the Irish national accounts.

NTMA Update:



The NTMA updated on market developments including the recent 20 year syndicated transaction. A widening of Ireland's spread to Germany and some underperformance relative to other Euro sovereigns such as Belgium has been a notable feature in recent months.

6. Macro Financial Review H2 2016

The Central Bank presented the recently published Central Bank's Macro Financial Review, setting out:

- The publication has been repositioned so it communicates key risks to a wider audience;
- The low interest rate environment is having an impact on the banking and insurance sectors;
- Credit conditions remain subdued and non-financial corporates now face a less positive outlook, which is related in particular to Brexit and trade developments;
- The housing market is being influenced by the mortgage rules; and
- Commercial property sees significant investment from international sources.

There was a discussion on the presentation of the Macro Financial Review with general agreement amongst members on the risks highlighted.

7. Any other business

There were no other issues discussed.