

Terms of Reference for Financial Stability Committee

ESTABLISHMENT	<p>Following a review of the financial stability committees within the Central Bank in 2023, it was decided to consolidate the existing Financial Stability Committee (FSC) and Macroprudential Measures Committee (MMC) into a single committee, which would deal with all financial stability policy matters. This committee is called the Financial Stability Committee (FSC) and came into effect on 01/07/2023.</p>
PURPOSE	<p>The FSC serves as the committee responsible for financial stability policy issues, i.e. policies that are taken in the context of the Central Bank’s financial stability mandate, with a view to safeguarding the resilience of the system as a whole.</p> <p>The Central Bank takes financial stability policy actions, in particular, through its macroprudential policies, such that the financial system can absorb, rather than amplify, adverse shocks. The FSC evaluates the main risks facing the financial system and assesses the resilience of the financial system to those risks. Policy decisions consider the balance between the risks facing the economy and financial system and their resilience.</p> <p>The FSC advises the Governor or the Commission as the relevant decision-maker regarding the Central Bank’s financial stability policies, including the Central Bank’s macroprudential policy measures.</p>
SCOPE & OBJECTIVES	<p>To safeguard financial stability, the FSC evaluates the main risks facing the financial system and assesses the resilience of the financial system to those risks. Financial stability policy actions, including the use of macroprudential policy tools, are taken with the aim to ensure the domestic financial system can absorb, rather than amplify, adverse shocks.</p> <p>The <i>Financial Stability Review</i> reflects, and is informed by, the deliberations of the Committee and communicates the Committee’s assessment of the main risks facing the financial system and the resilience of the financial system to those risks as well as the policy actions to safeguard financial stability and ensure that the resilience of the financial system is proportionate to the risks it faces.</p> <p>The Committee is responsible for the development and implementation of the Central Bank’s macroprudential policy framework, which has three broad pillars:</p> <ul style="list-style-type: none"> • policies relating to banks, i.e., macroprudential capital buffers • policies relating to borrowers, i.e., borrower-based measures • policies relating to non-banks. <p>The FSC may also take other financial stability policy actions in response to developments in the financial system that might pose a threat to financial stability.</p> <p>In addition, the FSC is responsible for strategic oversight of the Bank’s work on: climate risk and sustainable finance; financial crisis preparedness and management; system-wide cyber and operational resilience.</p> <p>The scope of issues considered by the FSC will evolve in line with shifts in the nature of financial stability policy interventions in the Irish financial system and the Central Bank’s forward looking, systematic approach to the setting of financial stability policy.</p> <p>In line with legislation and the current delegations, decision making will remain with the relevant entities, the role of the Committee is to act in an advisory capacity to the decision maker.</p>

MEETINGS	<p>It is envisaged that the FSC will meet twice a quarter, or more regularly or less frequently at its discretion and in line with the work programme.</p> <p>A record of proceedings will be prepared for every meeting of the Committee.</p> <p>It is intended to publish an account of FSC meetings on a quarterly basis. Accounts will be published a quarter in arrears (for example, the Q2 account covering the FSC from April to June would be published at the end of Q3). Accounts will be published taking into account statutory or internal constraints around the publication of discussions or decisions.</p>
CHAIR	<p>The Committee is chaired by the Governor. The Alternate Chair is the Deputy Governor (Monetary and Financial Stability).</p>
MEMBERSHIP	<p>The membership of the FSC consists of:</p> <ol style="list-style-type: none"> 1. The Governor; 2. The Deputy Governor (Monetary and Financial Stability); 3. The Deputy Governor (Financial Regulation); 4. The Deputy Governor (Consumer and Investor Protection); 5. The Director of Financial Stability; 6. The Director of Economics & Statistics; 7. The Director of Banking and Payments; and 8. The Head of MFD as Secretary <p>Membership of the Committee may evolve in line with shifts in the nature of financial stability policy interventions, including macroprudential policy actions, in the Irish financial system.</p> <p>Additional participants will be invited to attend a meeting, or to attend for a particular item, as deemed appropriate. This aims to ensure that different perspectives across the Bank are considered by the FSC on relevant issues, especially in relation to risk assessment.</p>
ATTENDANCE AT MEETINGS	<p>Member attendance is required unless prohibited by business travel or any other unavoidable absence such as illness. The quorum for a meeting of the FSC to proceed is the presence of at least four members with at least one representative from both the “central banking” and “supervisory” pillars of the Bank.</p> <p>The Committee may expand participation at its meetings in relation to papers under discussion. The number of observers is to be kept to a minimum.</p>
OPERATING PROCEDURES	<p>The FSC will be supported by the Macro-Financial Division (MFD), which will coordinate any work programmes specified by the FSC.</p> <p>Forward agenda items are required to be notified by members in advance of meetings. On receipt of same by the FSC Secretariat, items are incorporated onto the forward agenda. In order to allow sufficient time for FSC members to prepare for meetings, papers should, in general, be submitted to the Secretariat one week in advance of the meeting. Exceptionally, papers may be finalised outside of meetings by written procedure. Retention of records and papers for each meeting are managed by the Secretariat.</p> <p>The Terms of Reference will be reviewed on an annual basis or more frequently if required. The General Secretariat Division will be notified of revisions to the Terms of Reference.</p>