



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

Financial Services Sector in Ireland

Civic Society Roundtable

30 November 2018

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Central Bank's Mission, Vision and Strategic Priorities

- Mission - The Central Bank of Ireland serves the public interest by safeguarding monetary and financial stability and by working to ensure that the financial system operates in the best interests of consumers and the wider economy.
- Vision - We are committed to being an independent, forthright and influential organisation with a compelling, clear and challenging vision of being: One Bank: Trusted by the Public, Respected by our Peers, and a Fulfilling Workplace for our People.
- Strategic Priorities



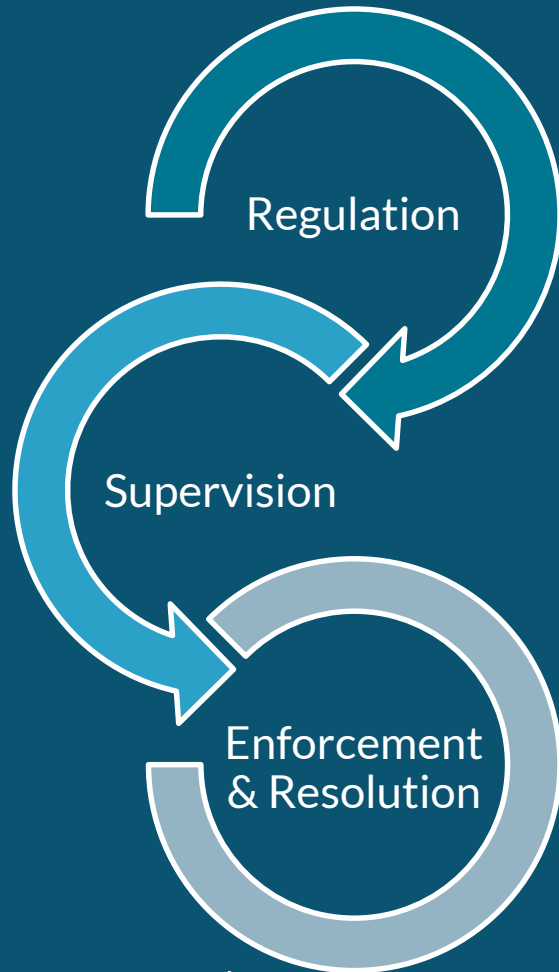
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Financial Regulation



Ambition of Prudential Regulation: A resilient and trustworthy financial system, which sustainably serves the needs of the economy and its customers, in which firms and individuals adhere to a culture of fairness and high standards.

This is delivered by ensuring that regulated financial services firms:

- Have sufficient financial resources, including under a plausible but severe stress;
- Have sustainable business models over the long-term;
- Are well governed, have appropriate cultures, with effective risk management and control arrangements, and
- Can recover if they get into difficulty, and if they cannot, are resolvable in an orderly manner without significant externalities or taxpayer costs.



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The Credit Union Sector in Ireland

- There are currently 253 active credit unions operating in the Republic of Ireland with 3.3 million members with total assets of €17.6bn.
- Key aim of regulation and supervision:
 - Protection by each credit union of the funds of its members; and
 - Maintenance of the financial stability and well-being of credit unions generally.

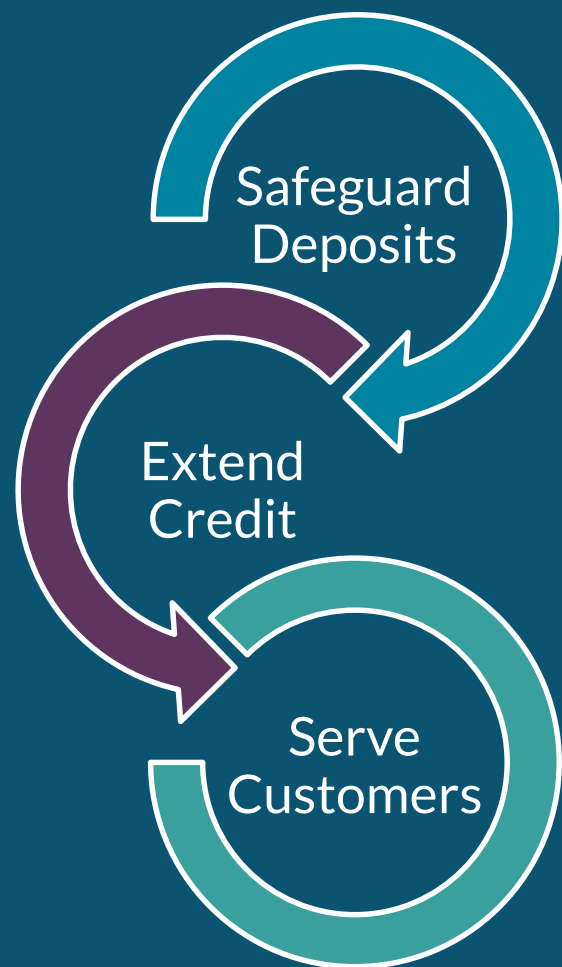
The Registry of Credit Unions – Strategic Priorities



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The Banking Sector in Ireland



- There are currently 21 credit institutions supervised by the Central Bank of Ireland with total assets of €443.6bn.
- There are 5 domestically focused banks currently operating in Ireland which represent the vast majority of lending to the domestic economy;
- These banks fulfill a key function in the economy;
 - Safeguard deposits;
 - Provide financial infrastructure (i.e. payments);
 - Maturity transformation;
 - Assist the efficient and effective functioning of the economy.



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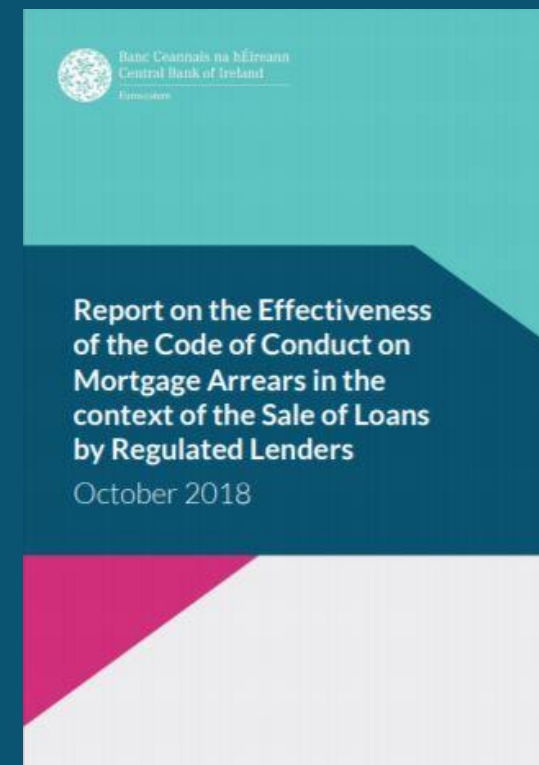
The Irish Mortgage Market

- Ireland's housing market
- Ireland's mortgage market
- Non -performing loans
- **Economic outcomes**
 - NPLs → capital constraints → lending supply → impact on investment/growth
 - Even if capital not constrained there is an opportunity cost of this capital
- **Bank outcomes**
 - Funding costs elevated
 - Weaken trust
 - Vulnerability to next crisis
- **Borrower outcomes**
 - Increased pricing of new loans
 - Uncertainty around future housing tenure for some

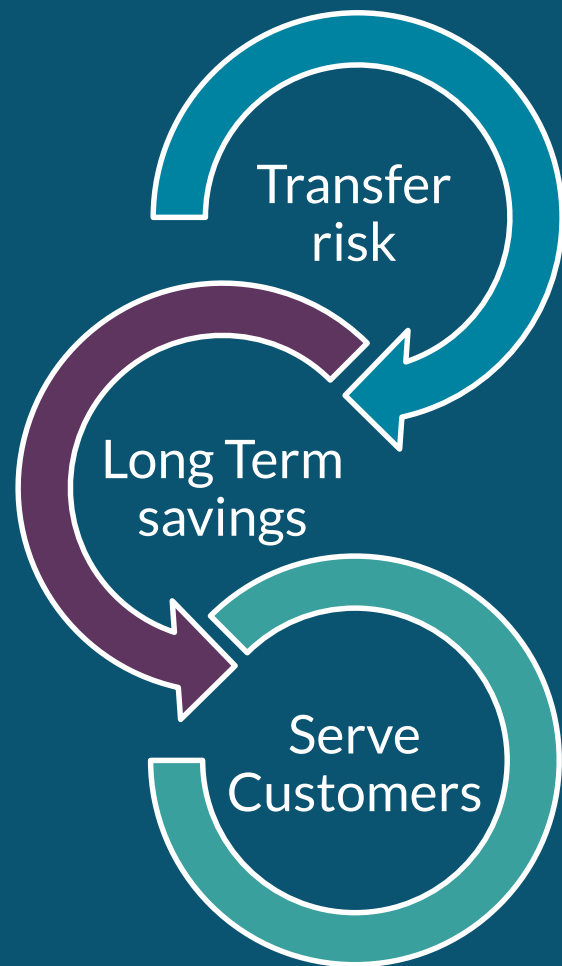


Effectiveness of CCMA in Context of Sale of Loans

- CCMA provides **statutory protections** for financially distressed borrowers in arrears or at risk of arrears
- The protections provided **remain with the loan** in all cases, including when the loan is sold
- For borrowers who engage, the CCMA is working effectively and as intended where loans are sold
- No evidence the credit servicing firms inspected did not seek to engage with borrowers in arrears
- Existing arrangements are honoured by credit servicing firms when a loan is sold



The Insurance Sector in Ireland



- The Central Bank prudentially regulates 200 insurance companies and groups
 - There are 42 life insurers, 46 non-life insurers, 78 captives and 29 reinsurance companies operating from Ireland.
 - These firms serve international markets and a smaller number serve the domestic market;
- These insurance firms fulfill a key function in the economy
 - Car, Home and Business insurance which makes financial payments to those who suffer an insured loss or injury;
 - Health Insurance;
 - Annuities to pensioners; and
 - Saving for pensions and future life events.

Key messages

- Cost of Insurance working group;
- Brexit; and
- Future challenges – Demographics and environmental.



Appendices



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The role of the Central Bank of Ireland



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Financial regulation covers five broad categories

Conduct (wholesale and retail)

Regulated firms act in the best interest of consumers

Markets are fair, efficient & transparent

AML/CFT

Anti-money laundering and the countering of the financing of terrorism

Infrastructure

Oversight of payment, settlement and currency systems to ensure they are safe, resilient and efficient

Macro-Prudential

Stability of the financial system

Micro-Prudential

Regulated firms are financially sound and safely managed



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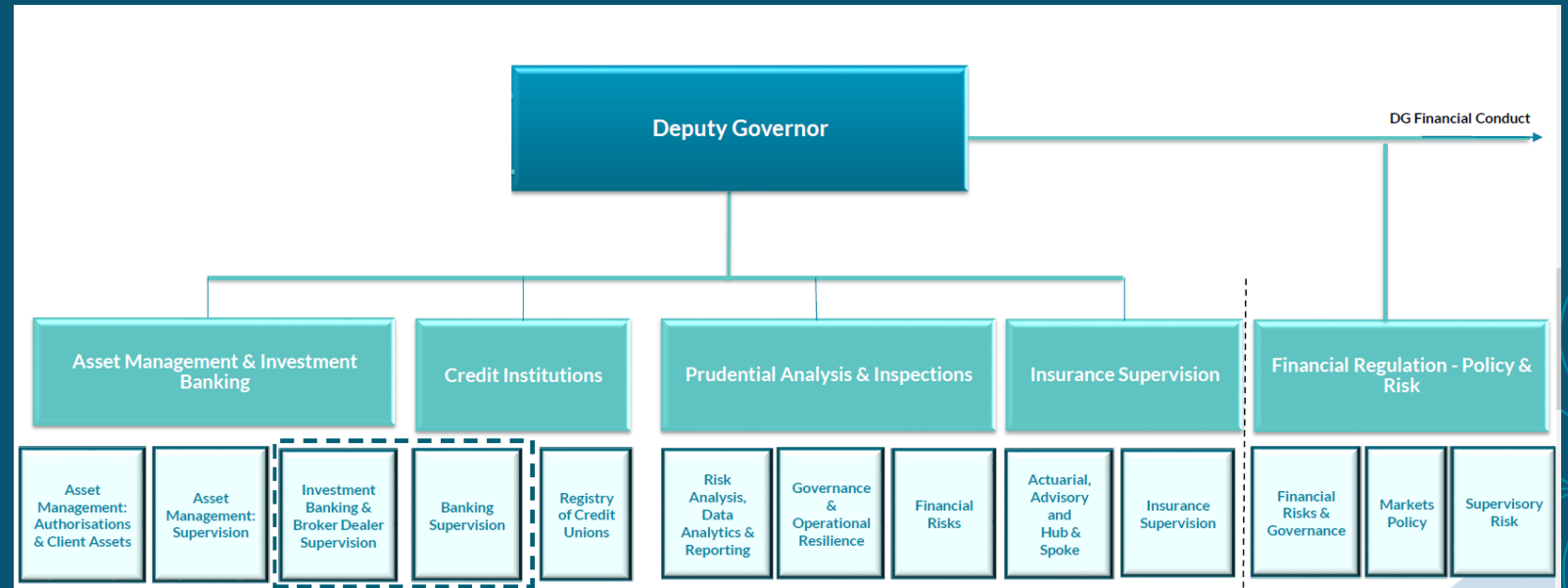
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Prudential Regulation pillar

Established to reflect the ongoing evolution and increasing complexity of Ireland as a financial services centre

Ensuring regulated firms

- Have sufficient financial resources, including under a plausible but severe stress;
- Have sustainable business models over the long-term;
- Are well governed, have appropriate cultures, with effective risk management and control arrangements; and
- Can recover if they get into difficulty, and if they cannot, are resolvable in an orderly manner without significant externalities or taxpayer costs.



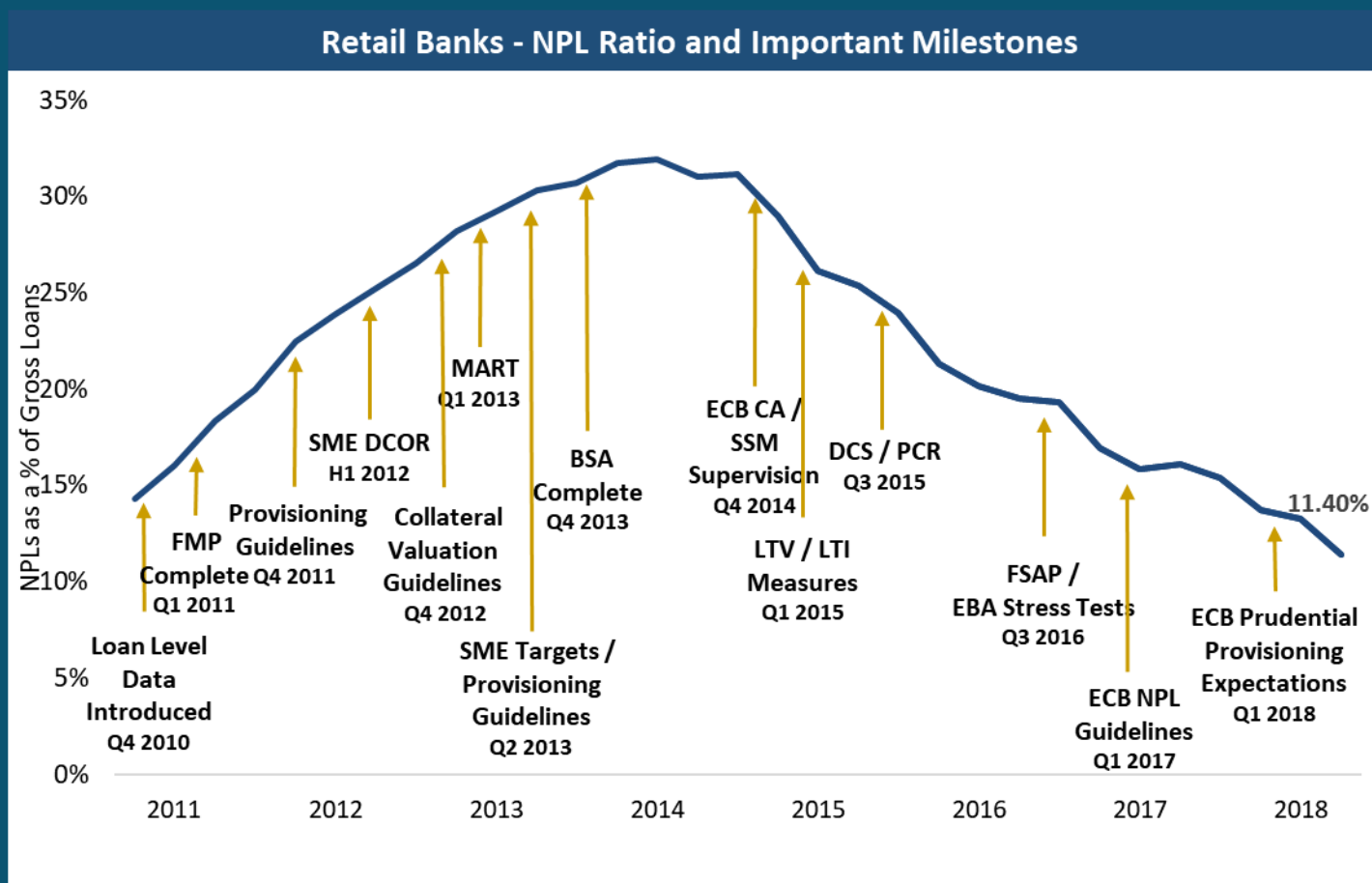
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Evolution of Non-Performing Loans



- NPLs down 71% (equivalent to €60.4bn) since Q4 2013 peak;
- NPL reduction driven by mix of restructuring, asset sales, and portfolio disposals;
- Macroeconomic conditions have been positive;
- 70% (€17.5bn) of remaining NPLs are mortgage related, 70% of NPL mortgages are PDH.

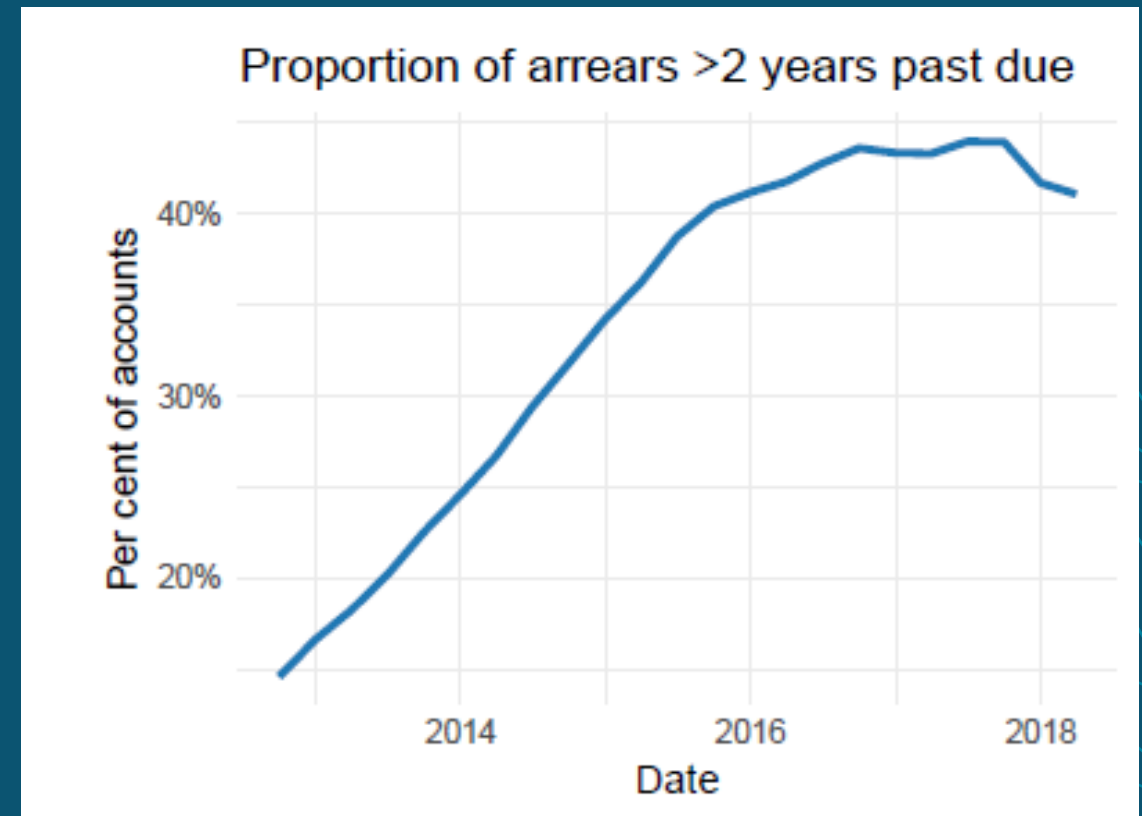
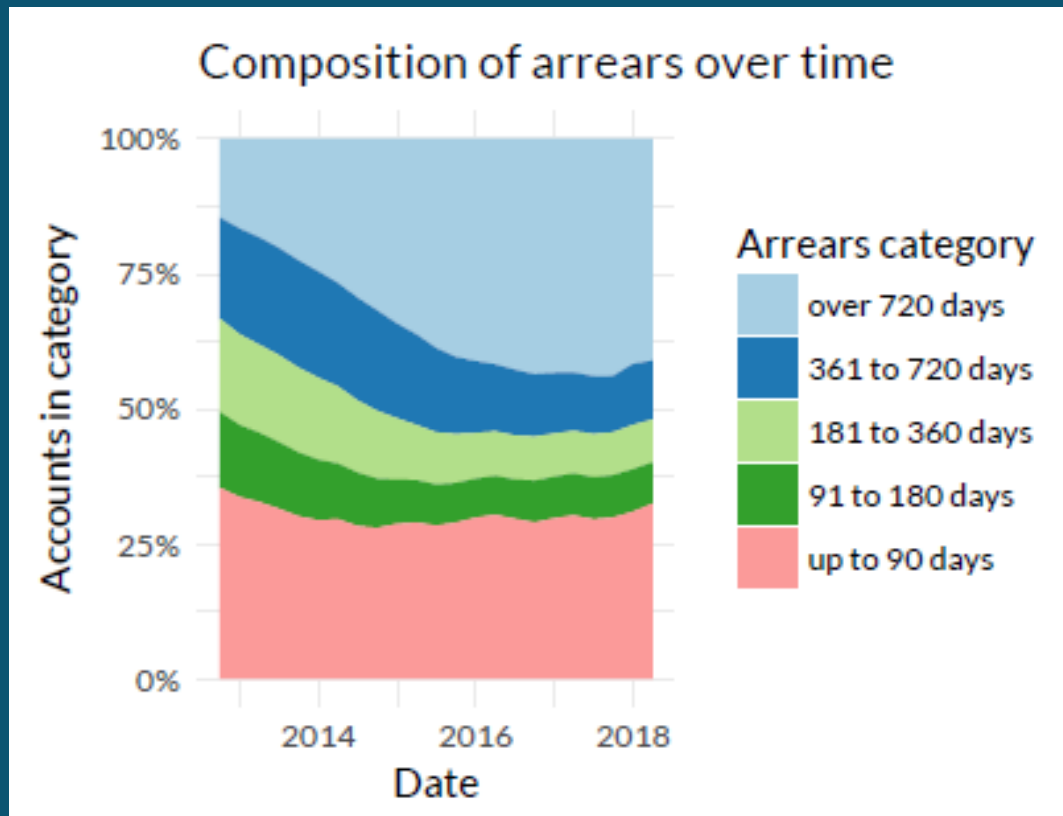


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Long-Term Mortgage Arrears

- Of Particular concern is Long-Term Mortgage Arrears, represent €4.3bn of PDH Mortgage NPLs;
- The composition of PDH Mortgage NPLs has changed significantly since 2013;
- There is a significant level of distress in this cohort of borrowers with average arrears of €66,000 on an average total outstanding balance of €206,000.



Further reading:

- **The Irish Mortgage Market – 2018 and beyond:** <https://www.centralbank.ie/news/article/irish-mortgage-market-2018-and-beyond-ed-sibley>
- **Non-Performing Loans:** <https://centralbank.ie/news/article/non-performing-loans-dg-ed-sibley21Sept2017>
- **Long-Term Mortgage Arrears in Ireland:** [https://www.centralbank.ie/docs/default-source/publications/financial-stability-notes/no-7-long-term-mortgage-arrears-in-ireland-\(o%27malley\).pdf?sfvrsn=5](https://www.centralbank.ie/docs/default-source/publications/financial-stability-notes/no-7-long-term-mortgage-arrears-in-ireland-(o%27malley).pdf?sfvrsn=5)
- **CCMA Report:** www.centralbank.ie/docs/default-source/regulation/consumer-protection/other-codes-of-conduct/report-on-the-effectiveness-of-the-ccma-in-the-context-of-the-sale-of-loans-by-regulated-lenders.pdf?sfvrsn=4

