

Financial Stability Group Meeting No. 47

Financial Stability Group Meeting No. 47 **17 September 2021** **Conference Call**

Attendance:

Department of Finance

John Hogan
Michael McGrath
Des Carville
John Palmer
Bláithín nic Giolla Rua
Nigel McCormack

Central Bank

Gabriel Makhlouf
Sharon Donnery
Derville Rowland
Vas Madouros
Adrian Varley
Yvonne McCarthy (item 4)
Stephen Clifford (item 6)

NTMA

Conor O'Kelly
Anthony Linehan
(item 4)
Mark Merrigan
(item 4)

Frank O'Connor sent his apologies.

The FSG agreed to take the documents circulated as read.

1. Account of previous Financial Stability Group meeting

The previous two meeting's minutes were approved by the FSG.

2. Update – D/Finance

The D/Finance updated on Government policy matters over the summer, and developments at EU/international level, including:

- The Summer Economic Statement set the fiscal parameters ahead of the Budget.
- The Housing for All strategy required a lot of focus across Departments.
- In the international tax reform agenda, the OECD agreement was finalised in July and a new phase of political discussions will commence in October.
- A public consultation on international tax reform concludes this Friday. There has been a good response to date. This will be published in due course.
- The Tax Strategy Group met recently to look at all options ahead of the Budget. The papers were published and received a good deal of attention.

3. Update – NTMA

The NTMA updated on their funding position, including some additional detail on State Savings:

- Overall State Savings come to €24bn, or 10% of the circa. €240bn of Ireland's debt; within State Savings, Prize Bond holdings have increased to over €4bn, this represents the holdings of over 3 million customers (60% of the population in Ireland).
- It was also noted that ISIF, under the PSRF, recently supported Fexco with a loan facility. Fexco operate the Prize Bond Company on behalf of the NTMA, in a joint venture with An Post.

4. Sustainable Finance and Green Bonds

The Central Bank presented on Sustainable Finance and Green Bonds, and the NTMA presented on Irish Sovereign Green Bonds and the Green Bond Market, including:

- The Central Bank noted that the Government has ambition for Ireland to be a global leader in sustainable finance by 2025 and that the Government is currently developing a national roadmap on sustainable finance to aid in this process.



- The EU Sustainable Finance Framework includes an EU Taxonomy (Regulation adopted in June 2020), a mandatory disclosures regime and a broad toolbox to grow sustainable investments including, for example, a proposed Standard for Green Bonds.
- The EU Taxonomy provides a common classification system for economic activities that can be defined as “green activities”. It forms the basis for the Green Bond Standard which is intended to be a voluntary “gold standard” for green bond issuance. The Green Bond Standard is still under discussion, so its features may change.
- The issuance of bonds under the EU Green Bond Standard would come with certain stipulations, including that an external reviewer must approve the green credentials of a bond at issuance and upon review (ESMA would supervise these reviewers), but regulators (and the Central Bank) may have a role in issuing sanctions to regulated entities if an issuer fails to comply with the Regulation. Discussions are ongoing.
- The market is growing for Irish green bonds and for green bonds as a whole. The market has developed significantly in recent years. Issuance is largely under the ICMA Green Bond Principles. Ireland was an early issuer but now most the major issuers have issued green bonds. One third of the NGEU programme will be green.
- Social bonds are also being developed, e.g. for housing projects.
- The Irish Sovereign Green Bond issuance was developed via Government Decision in 2018 and to date €6.3bn has been allocated to eligible green projects.
- There are some difficulties for Sovereigns to adhere to the proposed EU Green Bond Standard, as it is based on the taxonomy which is activity and project based whereas sovereigns tend to have programme based spending. This matter is being raised at Working Party discussions on the proposal and through the Green Subcommittee of the ESDM (EFC subcommittee on EU Sovereign Debt Markets) which Ireland chairs.
- The European Commission hope that the finalised EU taxonomy will become the global standard and the dossier is a priority for the current Slovenian Presidency.
- The topic was discussed at the last FSC meeting where the difficulties around supervision were raised. Scientific competence is needed for compliance. Supervisors have strongly expressed the need for external scientifically-qualified evaluators.
- The FSG sought to come back to this issue once the Commission dossier has developed.

5. Evolution of Banking Services – Discussion Workplan 2021-2022

Following on from the discussion at their meeting on 1 June 2021, the FSG agreed to the draft discussion workplan on the evolution of banking services, including:

- The Minister is expected to decide on the terms of reference (TOR) for the Departmental Banking Review in the next few weeks. We hope to have a clearer picture of timings shortly.
- There is a strong opportunity for the work of the FSG to compliment the Departmental Banking Review.
- Duplication of work between the Departmental Review and the FSG work should be avoided, however, there may be some overlap.
- The Department will need to draw in resources from several sources and will be seeking resource assistance from the Central Bank in completing the Review.
- The draft TOR for the Review envisions a public consultation and bilateral engagement with industry groups.
- The current Central Bank mortgage review will run in parallel and could involve parallel public consultations. Timings of these need to be managed.
- The role of the Central Bank and the FSG in the process needs to be clear.
- Officials from the Central Bank and Department will engage on scheduling the workplan topics.

6. AOB – including IMF FSAP First technical Mission

IMF FSAP First technical Mission

- The FSG were updated on the Questionnaires and latest position of the upcoming First Technical Mission.
- The FSG confirmed the importance of continuing cooperation and engagement between the Irish Authorities and the importance of a successful completion of the FSAP.

Head of Banking Division

- The competition for the Head of the Department's Banking Division went out today and will go to TLAC in early October.