

Financial Stability Group Meeting No. 22

Financial Stability Group (Deputies) Meeting No. 22 6th March 2020 Department of Finance

Attendance:

Department of Finance

Emma Cunningham
Des Carville
Michael McGrath
Eoin Dorgan (Sec)

Central Bank

Sharon Donnery
Ed Sibley
Vasileios Madouros

NTMA

Dave McEvoy
Anthony Linehan
Dearbháil Delaney

1. D/Finance Update

D/Fin updated on Government structures and European developments in response to Covid-19:

- D/Health is leading the Government's operational and policy response to Covid-19.
- D/Taoiseach has established a Senior Officials Group (SOG) to coordinate this response across Government.
- The SOG is focussed on information sharing, identifying key risks faced by Departments/Agencies, planning for these risks, and coordinating public information across State Bodies. Key publications to date have included:
 - D/PER guidance on public sector leave arrangements; and
 - D/Health guidance on mass gatherings.
- The Minister for Finance brought a Memorandum to Government on Tuesday setting out a preliminary assessment of the economic impacts of Covid-19.
- The Minister participated in a Eurogroup plus conference call on Wednesday, which set out that Eurogroup Finance Ministers noted there is flexibility within the EU fiscal rules to meet the fiscal impacts of responding to Covid-19.
- The Euro Working Group met on Thursday evening.
- The Eurogroup will meet on 16 March next.

2. Central Bank Update

The Central Bank set out its response to Covid-19 under two broad headings: (i) Central Bank's internal response; and (ii) the Central Bank's actions in relation to the wider Financial Sector.

- The Central Bank's internal response has involved:
 - Utilising its internal crisis management framework;
 - Greater use and testing of remote working by staff
 - Division of critical service teams (i.e. Team A and Team B) to reduce risk of infection; and
 - Daily meetings of the Central Bank's crisis management group.
- The risks to the Central Bank's contingency plans are similar to those faced by all agencies, i.e. the greater the infection rate the more difficult it will be to maintain appropriate staff levels.
- It is anticipated that next week's Governing Council will take place as scheduled.



- The Central Bank's actions in relation to the wider financial sector have involved:
 - Establishing a cross bank team to monitor developments across sectors and to identify financial and operational risks.
 - Daily bank liquidity reports.
 - Monitoring redemption calls on funds.
 - Monitoring corporate debt markets.
 - Focusing on financial sectors exposed to the economic sectors most vulnerable to a Covid-19 downturn.
- The Central Bank is also focusing on key financial sector firms' operational risks:
 - On Wednesday questions were sent to key firms on their readiness and responses are expected today.
 - The Central Bank is represented on the BPFIs Cash and Payments coordinating group and assessing its work and there will be a meeting of the national cash contingency group next week.
- D/Finance responded to specific Central Bank questions by setting out:
 - Government supports are in existence to assist with working capital needs of SMEs. In addition, SMEs are entering this period in a stronger position than previous downturns given stronger cash balances and lower levels of debt.
 - D/Employment and Social Protection has detailed contingency plans for social welfare payments.

3. NTMA Update

The NTMA updated on financial market conditions and sovereign bond market conditions, including:

- There has been a significant sell off in equity markets.
- Although, Irish yields have fallen there has been some widening relative to German, French and Belgian yields, reflecting a flight to safety, however it is not significant at this time.
- Liquidity has tightened across markets.
- In terms of NTMA operations:
 - the sovereign is well funded; and
 - expects to go ahead with its bond auction next Thursday.

The NTMA also updated on its internal business continuity arrangements, including:

- Extensive testing of remote working has taken, involving the testing of booking deals remotely and at the NTMA's disaster recovery site, with teams working for two days from Tuesday at the disaster recovery site;
- Critical service teams are being separated and located on different floors of the building (i.e. Team A, and Team B).

4. Follow on actions

The FSG discussed follow on actions and agreed that:

- Formal invoking of the FSG Crisis Co-ordination Framework to Readiness should be proposed by email; and
- A Covid-19 sub-group of the FSG should be established given the potential escalation of the impacts of Covid-19, which "could, in the near term, have a detrimental and sustained effect on the operation of the financial system."



The rationale for the FSG's agreed position was:

- The significant economic impacts as evidenced in Italy and the EU Commission's assessment that these impacts will spread across the EU; and
- The FSG's Crisis Co-ordination Framework is an established structure that can properly facilitate information sharing and coordinated action across the FSG members.

- The FSG noted that the role of the Covid-19 FSG Sub-Group should:
 - ensure FSG members have a shared understanding of Covid-19 developments, and its impacts on the financial system and the wider economy;
 - manage any interagency co-ordination required on communications and measures agreed by the FSG in relation to Covid-19; and
 - have two calls a week with short situation reports (SitReps) utilising information drawn from pre-existing sources to minimise administrative work.