



## Financial Stability Group Meeting No. 24

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### Financial Stability Group Meeting No. 24 20<sup>th</sup> March 2020 Conference Call

#### Attendance:

##### Department of Finance

Derek Moran  
Emma Cunningham  
Des Carville  
Michael McGrath  
Gary Tobin  
Eoin Dorgan (Sec)

##### Central Bank

Gabriel Makhoulf  
Sharon Donnery  
Ed Sibley  
Derville Rowland  
Vasileios Madouros

##### NTMA

Conor O'Kelly  
Frank O'Connor

The FSG agreed to take the documents circulated as read and to focus on key issues in the updates from each member.

#### 1. Covid-19 Update – D/Finance

D/Finance updated on Covid-19 developments at EU level and forthcoming Government policy measures:

- This morning's EWG teleconference discussed two key issues:
- *SSM and EBA guidance on forbearance measures for those impacted by Covid-19:*
  - It was noted that the SSM will issue a statement on the matter later today; and
  - There was agreement that the Chair of the FSC will put together a subgroup (with members from the SSM, EBA, and EU Commission) over the weekend to clarify the issues and prepare a position.
- *The role of the European Stability Mechanism (ESM) in the potential development of "Corona bonds".*
- In relation to these two issues, the FSG noted that there will be caution around changing the NPL definitions as there are concerns with undermining confidence in the banking sector at such a critical time.
- There have been discussions at EU level of a larger EU fiscal response from the next multi-annual financial framework (MFF), which would be in addition to the already announced package of €37 billion (funded from this year's budget).
- In preparation for the expected increase in the number of people infected with Covid-19, the State may take over all of the capacity in the private hospitals from next week for an unspecified period of time:
  - D/Fin will be in contact with the Central Bank given the potential implications for the private health insurance sector.
  - NewERA (within the NTMA) is assisting in the costing of this exercise.
- D/Finance is heavily involved in the development of an employment subsidy scheme and a number of other potential policy actions to be announced early next week to assist employers to keep staff in work.



## 2. Covid-19 Update – Central Bank

The Central Bank updated on Covid-19 developments in the financial sector, including:

- A constructive meeting was held with the BPF and its members, during which the Central Bank set out:
  - There is no impediment to banks introducing a 3-month Covid-19 payment break for those affected by the pandemic;
  - Banks must focus on how they will deal with consumers after the payment break passes;
  - In agreeing short payment breaks, banks may be able to deal with these as contract amendments; and
  - The Central Bank is working with lenders to develop practical measures so that the credit record of those who avail of a payment break gets an appropriate recording on the Central Credit Register.
- The ECB announcement of the Pandemic Emergency Purchase Programme (PEPP) has been well received.
- The Central Bank is keeping a close watch on developments across the funds sectors due to the impact of the economic shock and how it is feeding through the different fund sectors.
- The Central Bank is particularly focused on the Money Market Funds sector.

## 3. NTMA Update

The NTMA updated on the Irish sovereign position, and also wider financial market and sovereign bond market conditions:

- The announcement of PEPP and other global Central Bank monetary policy actions have been welcomed by markets.
- Irish sovereign debt yields have benefitted from the PEPP announcement.
- There was strong demand for the NTMA's T-Bill auction this week.
- The policy measures taken by global Central Banks have seen equity and bond markets perform better towards the end of the week. However, traders are still struggling to make prices given the dislocation of trading teams due to remote working arrangements.

## 4. Any other business

- The FSG agreed that significant parts of the financial sector should be designated as critical services and as such, their workers should be exempted from potential future regulations restricting movement. D/Finance outlined that it is advising D/Taoiseach and D/Health to adopt broad definitions for critical service workers (and particularly in the financial sector), on the basis of the expected range of critical service workers and in order to reduce the risk of unintended consequences.
- The FSG requested that the Sub-Group on Covid-19 review the FSG's Crisis Co-ordination Framework invocation status on the next subgroup call.