Opening Statement by Mr. Gary Tobin, Assistant Secretary in the Department of Finance, to the Oireachtas Committee on Finance, Public Expenditure and Reform, and Taoiseach

Tuesday 12th March 2019

I would like to thank the Committee for inviting the Department to address it in relation to the matter of “the future framework for Accountability in the Banking Sector”. I am accompanied by Eoin Dorgan, Fidelma Cotter, and Clementine Curtin. We very much see today as a listening opportunity and look forward to hearing the views of the Committee on this matter so they can be considered as part of the forthcoming Central Bank (Amendment) Bill.

There has been a complete transformation in the regulatory environment since the financial crisis. The approach to banking supervision now is more assertive, risk-based, and challenging, and one which is underpinned by new legislation, including:

- the Central Bank Reform Act 2010;
- the Central Bank Supervision and Enforcement Act 2013; and
- the creation of the European Single Supervisory Mechanism in 2014.

These have changed regulation and supervision of the banking sector almost beyond recognition.

European Banking Union provides for a single prudential supervisor through the Single Supervisory Mechanism, a single regulatory rulebook, and a Single Resolution Mechanism for resolving failing institutions. This aims to improve coordination and mitigate against negative spill-over in the future.
However, even the best systems in the world cannot guarantee that there will never be issues.

We acknowledge the work of the Committee in bringing to light the seriousness of the Tracker Mortgage Scandal in late 2017. On foot of that, Minister Donohoe wrote to the Governor of the Central Bank, under Section 6A of the Central Bank Act 1942, requesting a review of the culture and behaviour within the retail banking sector in Ireland.

At the same time, officials in the Department submitted to the Minister proposals for responding to the Tracker Mortgage Examination. This work included looking at the introduction of a regime similar to the UK Senior Manager Regime.

The Section 6A consultation was completed when the Bank published the report “Behaviour and Culture of the Irish Retail Banks” in July of last year. The report outlined possible remedies to some of the cultural failings in the banking sector. The proposals independently brought forward by the Central Bank were very much in line with the proposals developed by the Department at the instruction of the Minister as both institutions were looking at international best practice.

The Central Bank cooperated extensively with the Dutch Central Bank on their Report as they are one of the leaders in the field of financial services culture. The Department focused on the implementation and lessons from the UK’s Senior Managers’ Regime and Conduct Standards given (i) the close relationship between the two financial sectors, which will see significant institutions move from the UK to Ireland post Brexit; and (ii) there is a similar common law legal system, although our constitutional protections create more complex challenges.
The international evidence, as set out in the Central Bank’s report, illustrates that improvements in banking culture, through increased individual accountability, lead to better consumer protection and financial stability outcomes.

These are the two core objectives of our Central Bank and therefore, the Minister has committed to increasing individual accountability in the financial sector. To implement this, the Department has been working with the Central Bank to bring forward these proposals to legislative change.

These proposals encompass conduct standards for all regulated financial services providers and the individuals working within them; a Senior Executive Accountability Regime; and enhancements to the current Fitness and Probity and enforcement regimes. The proposals will also encompass key aspects of Deputy Doherty’s Private Member’s Bill.

All of us know that the new legislation must be robust enough to withstand challenge, because we have no doubt that it will be challenged, as the existing Administrative Sanctions Regime has been.

Ireland will be among the vanguard of a number of other countries now advancing national legislative change to improve banking culture.

We intend to bring the Heads of a Bill to Government for approval in the near future, and once agreed, we will be engaging with the Committee.

We welcome today as an opportunity to hear the ideas and expectations of the Committee for the legislative changes.