

DÁIL ÉIREANN

AN COMHCHOISTE UM AIRGEADAS, CAITEACHAS POIBLÍ AGUS ATHCHÓIRIÚ, AGUS AN TAOISEACH

JOINT COMMITTEE ON FINANCE, PUBLIC EXPENDITURE AND REFORM, AND TAOISEACH

Dé Máirt, 27 Márta 2018

Tuesday, 27 March 2018

Tháinig an Comhchoiste le chéile ag 2 p.m.

The Joint Committee met at 2 p.m.

Comhaltaí a bhí i láthair /Members present:

Teachtaí Dála /Deputies	Seanadóirí /Senators
Joan Burton,	Rose Conway-Walsh,
Pearse Doherty,	Gerry Horkan,
Michael McGrath,	Kieran O'Donnell.
Paul Murphy.	

Teachta/Deputy John McGuinness sa Chathaoir/in the Chair.

Business of Joint Committee

Chairman: I propose that we go into private session to deal with some housekeeping matters. Is that agreed? Agreed.

The joint committee went into private session at 2.05 p.m. and resumed in public session at 2.40 p.m.

Scrutiny of EU Legislative Proposals

Chairman: No. 6 on the agenda is scrutiny of EU legislative proposals. The joint committee has agreed that the items included in Schedule B, COM (2018) 5, COM (2018) 55, COM (2018) 58, COM (2018) 59 and COM (2018) 68, and in Schedule A, COM (2017) 734, COM (2017) 900, COM (2017) 150 and COM (2017) 155, do not warrant further scrutiny. Full details will be published on the committee's website.

Overview of Operations: Strategic Banking Corporation of Ireland

Chairman: No. 7 on the agenda is an overview of the operations of the Strategic Banking Corporation of Ireland. I welcome its chief executive officer, Mr. Nick Ashmore, and his colleague.

By virtue of section 17(2)(l) of the Defamation Act 2009, witnesses are protected by absolute privilege in respect of their evidence to the joint committee. If, however, they are directed by it to cease giving evidence on a particular matter and continue to do so, they are entitled thereafter only to qualified privilege in respect of their evidence. They are directed that only evidence connected with the subject matter of these proceedings is to be given and asked to respect the parliamentary practice to the effect that, where possible, they should not criticise or make charges against any person or an entity by name or in such a way as to make him, her or it identifiable.

Members are reminded of the long-standing parliamentary practice to the effect that they should not comment on, criticise or make charges against a person outside the Houses or an official, either by name or in such a way as to make him or her identifiable.

I invite Mr. Ashmore to make his opening statement.

Mr. Nick Ashmore: I thank the joint committee for inviting me to update it once again on the operations of the Strategic Banking Corporation of Ireland, SBCI, and its very substantial and encouraging progress in making it easier and cheaper for Ireland's smaller businesses to borrow. I am joined by my colleague Ms Suzanne Sweeney who is our head of lending. I will start by addressing the reason we have been invited to appear before the committee.

We want to provide the committee with clarity and an assurance on how the SBCI is conducting its work, in line with the legislation which underpinned its establishment and in a transparent manner in accordance with its mandate. The SBCI's primary goal is to deliver financial instruments to the small and medium enterprise, SME, market in Ireland, either using

its own balance sheet or as a service provider, to facilitate the availability of credit to benefit the economy and the economic well-being of the State. This allows the SBCI to address market failures and make it easier and cheaper for SMEs to borrow money to support their businesses and enhance competition in the market for SME financing.

The SBCI deploys its resources in three ways. It offers long-term low cost liquidity facilities to financial institutions that extend finance to SMEs; it provides guarantee and risk-sharing facilities to enhance the ability of SMEs to access finance; and it serves as a service provider for the Minister for Business, Enterprise and Innovation in operating the credit guarantee scheme. We focus heavily on ensuring the maximum benefit reaches Irish SMEs and that taxpayers' money and European funding are used appropriately and in accordance with state aid rules. To ensure this, the SBCI requires its on-lenders to account for all of the finance provided by reporting every single loan or facility provided for SMEs and farmers. Unused funds are required to be returned if not utilised in this way within a reasonable period. The SBCI also applies a common impartial approach and rigorous scrutiny to every applicant institution for its facilities. It undertakes a thorough due diligence process in each case to mitigate risks to Irish taxpayers, European funders and SME borrowers. It aims to ensure all lending partners have the necessary financial strength and capability to provide the required level of service to SMEs alongside sufficient protections for the taxpayer.

In offering its liquidity facilities to SME finance providers the SBCI charges a common interest rate, while seeking to take a common level of risk. In order to ensure this commonality of risk, the structure used will naturally vary from institution to institution. State aid rules require us to maintain robust controls to ensure banks and other on-lenders pass on the full benefits of SBCI support to SMEs. To manage the risk, the SBCI's requirements may or may not include an equity contribution from an institution or a similar form of risk mitigation, appropriate legal and corporate structures and due diligence by an auditing firm on an SBCI-approved panel.

The SBCI is a custodian of Irish State and European funds and must ensure these funds are deployed on commercially acceptable terms and have sufficient protection from the risk of deterioration in each lending partner's financial condition. These requirements are applied to all prospective lenders. Adopting these robust and transparent processes in the past three years has enabled the SBCI to support over 22,000 Irish SMEs that have borrowed a total of €920 million using SBCI finance. They included large and small SMEs. Our average loan size is €40,000, but we have supported loans of as little as €1,500 and as much as €4.3 million. The SMEs we have supported employ over 119,000 people. We have been very successful in ensuring the benefits the SBCI offers have been well spread throughout Ireland, with 85% of loans outside Dublin and a generally broad spread throughout all regions of the State. The agrifood sector has been one of the biggest beneficiaries of SBCI funding. It is often overlooked that farmers are SMEs.

The finance provided has been delivered in the form of a strong mix of term loans for working capital and investment purposes, leasing, hire purchase, contract hire and invoice discounting. The SBCI has also supported loans where an SME's existing finance provider will no longer support it and it needs to refinance. I am pleased to say 2017 was a transformative year for the SBCI. We built on the very strong progress made in 2015 and 2016 when we were primarily a conduit for channelling low cost funding from the European Investment Bank, the German promotional bank KfW and the Ireland Strategic Investment Fund, ISIF, through eight institutions, three banks and five non-bank lenders. What made 2017 transformative was our evolution and development into a provider of risk-sharing products on foot of a new arrangement with

the European Investment Fund, EIF, and its European Commission backed competitiveness of enterprises and small and medium-sized enterprises, COSME, support scheme for SMEs. This meant that, for the first time, we were empowered to take on risk-sharing with our lending partners, hugely extending our potential impact among the SME community and increasing our scope to improve access to credit. Risk-sharing was the key driver of the agri-cashflow support loan scheme in co-operation with the Minister for Agriculture, Food and the Marine, which was hugely successful in delivering €145 million in low cost working capital loans, with an interest rate of 2.95%, to primary agriculture businesses. The scheme was so attractive to borrowers that it was heavily oversubscribed and all of the capacity was fully accounted for within weeks of launch, far ahead of our expectations. We comprehensively demonstrated our ability to deliver the scheme quickly and expect to be equally effective in the delivery of similar schemes in the future. This experience demonstrates that our risk-sharing model works and that the agri-cashflow support scheme offers a real template for additional programmes of this nature. The latest of these is the Brexit loan scheme which was announced in the budget. We expect it to be a highly effective support for SMEs in providing up to €300 million in low cost funding, with the support of the European Investment Fund, for businesses which are innovating in response to their exposure to the challenges Brexit poses. The scheme will cover loans ranging from €25,000 to €1.5 million, with loans of up to €500,000 being unsecured. The maximum rate for the scheme will be 4%, which is a material reduction on the matrix rates being charged to SMEs on loans less than €250,000. The SBCI will engage directly with Brexit-impacted SMEs to assist them with the eligibility process and in applying for these loans. This direct engagement will be significantly beneficial as it will allow the SBCI to gather crucial process information on the challenges SMEs face in accessing finance. In turn, we can use it to identify SMEs' needs well into the future and design the right kind of products to meet these needs.

Last year was also transformative because it saw the SBCI bring together the State's risk-sharing activities under one roof when it took over the operation of the Government's credit guarantee scheme. Now that the revamp of the scheme is complete, we expect to drive greater awareness and accessibility of the scheme in conjunction with our range of other supports for SMEs. Many SMEs do not realise they can use as many of our supports as they wish, subject to eligibility. We are working hard to make sure SMEs are fully aware of all the supports we offer.

We are continuing to engage with potential partners and seeking to add new partnership deals during 2018, further extending our range of on-lending partners and making it easier than ever before for SMEs to access SBCI funding. Our partnerships with on-lenders to date have been beneficial in providing low cost finance and, importantly, generating increased competition in the SME lending market by facilitating the entry of new non-bank lenders to the market, both domestic and international. These non-bank lenders such as Bibby Financial Services, FEXCO, Finance Ireland and First Citizen Finance have succeeded in bringing greater choice and innovation to the market, which ultimately is good news for all SMEs.

We plan on continuing the strong progress we have made. We are confident that we can bring more and better forms of low cost funding to the market, in line with our mandate to make the funding environment better for Ireland's SMEs. By adapting to the changing market conditions and developing innovative new supports to drive competition and address market gaps, the SBCI will continue to make a positive impact on SMEs' ability to finance their operations.

For the committee's reference, we have included some slides on the activities of the SBCI.

Chairman: I thank Mr. Ashmore for his opening statement.

Senator Kieran O'Donnell: I also thank Mr. Ashmore for his presentation. He referred to eight institutions - three banks and five non-banks. What are the three banks?

Mr. Nick Ashmore: They are AIB, Bank of Ireland and Ulster Bank.

Senator Kieran O'Donnell: How does one access SBCI funding through each of these institutions?

Mr. Nick Ashmore: There are three methods available through the banks for SMEs to access SBCI support. When we started in 2015, we offered €675 million in supported lending through the three banks in the form of low cost, long-term liquidity for the banks to be supplied to SMEs. SMEs applied for SBCI supported loans and received a discount on the loan they received. In some cases, they received more flexible terms and conditions.

Senator Kieran O'Donnell: Over how many years was that funding made available?

Mr. Nick Ashmore: Its deployment was completed in the middle of last year. That mechanism is now finished and the banks are not offering it. Effectively, what we are now doing is providing guarantees in lending. The active mechanism is the credit guarantee scheme which has been in place since 2011 but which has gone through several changes. It is being revamped under the new 2016 legislation. The Minister for Business, Enterprise and Innovation has signed two of the agreements, while the third is close to being signed. The new version of the scheme offers a slightly more substantial guarantee and is much more efficiently operated. We believe it will be more effective in deployment. The SMEs which are declined credit or cannot get the credit they want can apply under the credit guarantee scheme. It will take up to 80% of the risk on the loans.

Senator Kieran O'Donnell: When they apply under the credit guarantee scheme, do they apply directly to the SBCI?

Mr. Nick Ashmore: No; they apply through the banks. Under the agri-cashflow support scheme, they also applied directly through the banks. In that case, farmers met the existing criteria upfront and qualified for one of the loans. The loans have specific features as a result of our sharing some of the risk.

Senator Kieran O'Donnell: Of the sum of €675 million, what was the breakdown between the amounts given out by AIB, Bank of Ireland and Ulster Bank?

Mr. Nick Ashmore: We allocated €400 million to AIB, €200 million to Bank of Ireland and €75 million to Ulster Bank.

Senator Kieran O'Donnell: Why was AIB significantly ahead of the other two banks?

Mr. Nick Ashmore: AIB adopted a slightly different approach to how it delivered the funds to the market. We provided the funds on the same basis and the banks competed in how they delivered them. AIB chose to top up the discount which we generated quite significantly. It offered a single price, one-size-fits all loan. It focused on a large volume of smaller borrowers. In that way, it was able to deploy a larger amount of the funding.

Senator Kieran O'Donnell: How many borrowers have gained overall from this funding?

Mr. Nick Ashmore: We have funded almost 23,000 borrowers.

Senator Kieran O'Donnell: How did that figure break down between the three institutions?

Mr. Nick Ashmore: We have €920 million in total deployed. Of that sum, €110 million has been provided through the non-bank institutions. The balance has gone through the banks.

Senator Kieran O'Donnell: What are the non-bank institutions?

Mr. Nick Ashmore: We originally had five non-bank institutions but now have four. They are Bibby Financial Services, FEXCO, Finance Ireland and First Citizen Finance.

Senator Kieran O'Donnell: Did SBCI provide funding in the area of the Anglo Irish Bank and Irish Bank Resolution Corporation, IBRC, bailout?

Mr. Nick Ashmore: We did not. The SBCI was not set up to provide bailout funding for anybody. Its focus is 100% on SMEs and Irish businesses. We design our supports to benefit these businesses, not the funding providers with which we work. They have to pass the benefit through.

Under the original liquidity lending scheme that we offered - it still applies through the non-bank institutions - we allowed funds to be used for investment purposes. It was driven strongly by Kreditanstalt für Wiederaufbau, KfW. One of its requirements was that its funding be used for investment purposes. We also used it for working capital purposes. A third category involved situations where SMEs needed to refinance loans provided by banks that had left the market and were no longer extending credit. That clearly was not a solution. However, we felt their gravity was important enough that the support should be extended to them also. That is fair enough because those businesses were the ones most beset by the challenges of the crisis. If one is extending a discount, it should be extended to them also. Ordinarily, a policy driven measure such as this would not extend a discount to a situation where there is refinancing because there is no economic benefit to the State from a refinancing. However, when a business is trapped with a lender which is no longer extending credit, we should make sure supports are available in that context. The credit guarantee scheme incorporated these criteria in its 2015 version, but it has been slightly tweaked in the current version. Originally, the criteria were tied to five identified exiting institutions. Now they have been extended to ensure that if a SME's current finances are from an institution that is no longer going to extend credit as a result of the crisis, regardless of which it is, in that institution the credit guarantee scheme is applicable.

Senator Kieran O'Donnell: Up to €675 million is provided through the scheme. How can the SBCI be certain that this funding is going to SMEs and not being used as a cheap finance by the institution to prop up its balance sheet? What controls are in place to ensure it is not being used as a method by which the banks can do that?

Mr. Nick Ashmore: From the very beginning we required the banks to account for every single euro we provided for them on a loan-by-loan basis. We built a customised system which we have extended into their office environments where they upload the information on each loan along with the confirmations that those loans have met the eligibility criteria we have laid down and which we are required to extend. We account for every single euro on a loan-by-loan basis. We also have to account onwards to our funders for the funding that EIB and KfW, for instance, have provided to us. We have to provide them with loan-by-loan information. We gather that information and we also go back and audit the information after the fact. That way we know that all of the institutions use all of that funding or they have to give it back. We find

it is not logistically possible to fund on a loan-by-loan basis. We simply do not have the people and the systems to do that. Instead we tend to fund in tranches. They can either be drawn down in advance and then deployed, in which case the cash will sit within the bank's balance sheet for a period of time. The banks have a period of time within which to deploy those funds. Alternatively, the institution will deploy the funds and then draw the funds down from us in arrears depending on the preferred approach.

Senator Kieran O'Donnell: Is there not a risk that if funds are being advanced to an institution, for example, €200 million, that it improves the institution's balance sheet?

Mr. Nick Ashmore: We have never advanced that quantity of funding. We have advanced it in tranches. We agree with the institution-----

Senator Kieran O'Donnell: What is a tranche, typically?

Mr. Nick Ashmore: Tranches can vary from €5 million or €10 million up to €40 million or €50 million.

Senator Kieran O'Donnell: €50 million is a lot of money.

Mr. Nick Ashmore: It is a lot of money but in the context of a bank's balance sheet, of the three banks we are talking about, it is not a lot of money. It is something we are conscious of but at this point in time there are no unallocated funds sitting on anyone's balance sheet. All of the funds we have provided are now fully allocated.

Senator Kieran O'Donnell: Is the new scheme being announced tomorrow?

Mr. Nick Ashmore: Yes.

Senator Kieran O'Donnell: How will it differ from previous schemes?

Mr. Nick Ashmore: It will differ in a number of ways. This is the first----

Senator Kieran O'Donnell: Is it the €300 million scheme?

Mr. Nick Ashmore: It is the €300 million scheme.

Senator Kieran O'Donnell: The Brexit scheme.

Mr. Nick Ashmore: It is for Brexit affected businesses to innovate and adapt in response to the Brexit challenge. It will differ in a number of ways. It is an uncapped guarantee. We are taking a lot of risk away in this context and we are expecting a lot from the banks in return. They will extend credit of up to €0.5 million unsecured to businesses. The maximum any business can get unsecured at the moment is about €60,000 or €70,000. We are capping the interest rate at 4%. Even if the loan is larger than €0.5 million, we are also limiting the extent to which a personal guarantee can be taken.

The other difference is we are having SMEs coming to us first. We are changing the application process. They will come to our website and complete a form. Hopefully within about six or eight months they will be able to complete the section with us online altogether. That is the difference.

Chairman: There is a vote in the House. We can continue the meeting if Senator O'Donnell takes the chair and Senator Conway-Walsh could continue her questions. We will resume the

order when I come back. Is that agreed?

Deputy Joan Burton: I did not see that there was a vote. That is okay.

Senator Kieran O'Donnell took the Chair.

Senator Rose Conway-Walsh: I thank Mr. Ashmore for his presentation. I read it prior to the meeting. I will home in on agricultural lending. The criteria for ineligibility means farmers in financial difficulty are excluded. That seems a bit peculiar to me. I imagine a lending situation would arise where a person is in financial difficulty. How does SBCI assess whether somebody is in financial difficulty or not?

Mr. Nick Ashmore: It is assessed by the lenders we are working with. That is one of their front-line functions. In the provision of liquidity and the provision of risk sharing, which we did with the credit guarantee scheme, we work with the banks on the basis they always have some skin in the game. They were fully exposed on the first piece and in the agriculture cash-flow support loan scheme they still had 20% of the risk. They underwrote those loans and we outsourced that function to them. It was up to them to assess that a business was not in financial difficulty. There are a couple of reasons. Lending into a situation where a business is in financial difficulty will pretty much guarantee the bank will not get the money back. In effect, that situation is more suited to a grant or some other form of financial support that is not contingent in that way. We are very strictly bound by the state aid rules. One of the core tenets of state aid rules is that state aid should not be extended to businesses that are in financial difficulty. What we do focus on is businesses that are vulnerable but viable. We should see the cohort of loans in a guarantee scheme take place at a higher risk level than the banks would ordinarily be happy to take. That is one of the things we facilitated with the Brexit loan scheme. It is one of the things we facilitated with the agriculture scheme. In the agriculture scheme, we did not let the banks take security for those loans. It meant farmers could access them very quickly. It did not encumber their farms and as a result, given the price, it was very popular.

Senator Rose Conway-Walsh: Farmers who were in financial difficulty were not able to access this funding so it was almost the case that if they did not need the funding, they could access it. In terms of growth and development it can play a role. The perception was the funding would be accessible by those who were in financial difficulty, often through no fault of their own.

Mr. Nick Ashmore: We were using European Commission exceptional aid as well as Government support and we were targeting a situation in the market that was identified at a European level where the whole gamut of livestock funding - the Government extended it into non-livestock as well - was suffering that year due to a number of different geopolitical events, such as the Russian crisis and milk prices crashing. That created a working capital issue among farmers who were heavily reliant on merchant credit and overdrafts, which are very expensive, and it was eating into farm income and the net sustainable farm income for the year. There is also a category of farmers who are in a very difficult situation where they may have over-leveraged in the past and are looking to restructure. That is a very difficult situation to extend credit into with guarantees or otherwise.

Senator Rose Conway-Walsh: Is it available to fishermen?

Mr. Nick Ashmore: No. There are three sets of state aid rules. One is the general state aid rules which cover SMEs broadly and larger businesses. There are agriculture state aid rules and

the fisheries and aquaculture state aid rules and they all have a *de minimis* scheme and a block extension regime. We have not been able to find a way under those state aid rules to support fisheries businesses at this point in time. It is something we are keeping under consideration. If there is a requirement coming through the Department of Agriculture, Food and the Marine to focus more on that, then we are very much ready to respond to it.

Senator Rose Conway-Walsh: It would be important that it is considered because there are many opportunities and challenges in fishing. I want to get a handle on the numbers. What are the numbers for the agriculture cashflow support loan scheme for the BMW area? I take it that it is one loan per-----

Mr. Nick Ashmore: One of the slides shows that risk sharing activity in 2017 continued. It shows working capital of €144.9 million. One can see the percentages according to geography.

Senator Rose Conway-Walsh: I just want the numbers of farm loans in the BMW area. What I am trying to get at is that often smaller farmers and those who need help and support to develop would say it seems like the entitlements to loans and financing goes to the bigger farmers rather than the smaller ones. Obviously there would be a greater number of smaller farmers in the border, midland and western, BMW, area. I am trying to get at the figure.

Mr. Nick Ashmore: I apologise. We do not have the numbers of loans. In terms of proportions, the borders and the Connacht area between them represent more than 30% of the loan volume. The average loan for the scheme is approximately €34,000. That average is consistent across the country. There is a clear indication that a strong share of the lending went to that area. I will come back to the Senator with specific numbers of loans in the BMW area.

Senator Rose Conway-Walsh: It would be great if Mr. Ashmore could do so. I would just like a further breakdown in terms of the numbers and averages for the BMW area. The main thing we are trying to get at is whether there was a fair sharing of these loans. If we are looking at average incomes, we know that the further west one goes, the more the income reduces. There are incomes of as little as €3,000. Would farmers' low incomes be an impediment to them accessing this type of financing?

Mr. Nick Ashmore: It could have been an impediment. Unfortunately, these loans went out incredibly quickly. The timeframe was tight. From the budget in 2016 onwards, leading up to the launch at the end of January 2017, we promoted this as widely as we could among farmers. The Irish Farmers' Association, IFA, did a great job of making sure that all the farmers were aware. However, that meant that applications came in very rapidly after the end of January 2017 and that the loan scheme filled up very rapidly. Anyone who was not in that first batch had a limited ability to access the scheme.

Senator Rose Conway-Walsh: In addition, not all farmers are members of the IFA. There are also organisations such as the Irish Natura and Hill Farmers Association, INHFA, that would represent some of the smaller farmers and the hill sheep farmers.

Mr. Nick Ashmore: One thing we have found about farmers is that they are the most switched-on borrowers in the State. They are incredibly aware. When we first launched the lending programme back in 2015, we really did not have time to reach out to farmers and within months they were already drawing down almost a quarter of the funding.

Senator Rose Conway-Walsh: We will have a further look in terms of the figures for the scheme. The Minister for Agriculture, Food and the Marine indicated in January that a similar

scheme to the €150 million agricultural cashflow scheme would be up and running in the second half of the year. Has much progress been made on that between Strategic Banking Corporation Ireland, SBCI, and the Department?

Mr. Nick Ashmore: We are in active dialogue with the Department on that. Funding has been allocated in the budget for 2018. We are working to bring that to market as soon as we can but there is a need for a time period between the launch of schemes because we are restricted in only having three significant banks that lend to SMEs. Our ability to bring schemes to market is unfortunately serial rather than parallel. We have to allow a scheme to bed in and then run through the process of launching the next scheme. A gap of at least six to eight months is required between launches to deliver that, but we are in active dialogue. In fact, we are due to meet the Minister for Agriculture, Food and the Marine tomorrow to discuss that process.

Senator Rose Conway-Walsh: Was putting the schemes through something like the credit unions considered?

Mr. Nick Ashmore: We have had significant dialogue with the credit unions, although not in the last six months. One of the things which was very clear was that the credit unions do not lack liquidity because they have huge deposit bases - approximately €14 billion. It would cost more for them to borrow from us than to take the deposits from their customers. There was no solution to be offered in that context. When it comes to risk-sharing, we would love to be able to work with the credit unions in time. However, what we see with the credit unions, even with the reduced number of them, is that they are very fragmented and they have their own geography. That means that their operations are very lean and rely on volunteers. They do not necessarily have the resources individually to undertake SME lending, which is a fairly intensive process. Even the larger credit unions that represent the teachers or the gardaí are not naturally inclined to do SME lending because teachers and gardaí are not SMEs. It is more the regional credit unions that would do that.

What we are seeing, and what is encouraging, is that credit unions are starting to club together to share and pool their resources in order to create lending platforms which then help screen SME, agricultural or mortgage loans on behalf of a number of credit unions. The credit unions can then take their own decisions on whether to take the loans onto their own balance sheets based on the recommendation of that platform. We know they have been actively doing that in respect of mortgages. A group in Galway recently launched a scheme for farming loans across six credit unions. It is offering these loans at 6.75%, which is competitive with the banks. In time we hope that we will also see the emergence of SME platforms in that context. As those platforms become established, and as they establish a track record and an ability to underwrite credit loans effectively, we would love to be able to work with them in terms of risk-sharing, the credit guarantee scheme or other schemes. However, they need to achieve a level of substance first. It is very exciting to see the exercise in Galway. We are following it with interest.

Senator Rose Conway-Walsh: I would say that 6.75% is-----

Mr. Nick Ashmore: It is still high.

Senator Rose Conway-Walsh: -----very high. That is why we need a public banking system similar to the one we see in Germany, Sparkassen. We will talk about that another day. The €25 million in the January 2017 scheme actually leveraged €150 million. Would Mr. Ashmore see the same thing happening again in terms of the €25 million? Has there been any estimates?

Mr. Nick Ashmore: We do not have a firm estimate on that because we are looking at the potential to team different schemes up together under one platform, working with the European Investment Bank. It would certainly leverage a scheme of at least that size. It depends on the structure of the guarantee and the nature of the interest rate parameters that are set around the scheme. Unfortunately, I cannot give the Senator a hard answer on that point because we are still working on that analysis.

Senator Rose Conway-Walsh: Does Mr. Ashmore have a breakdown of the reasons people were refused loans and the numbers of people who were refused?

Mr. Nick Ashmore: To date, we have not been responsible for the actual underwriting of the loans. That is what we set with the front-line lending partners. That is why we are not able to gather refusal rates. In fact, these lenders are not very good at gathering their own refusal rates. However, they do report them and they report very low refusal rates. We have separate evidence from the credit demand survey which is run by the Department of Finance every six months. That was recently published and it showed a recent rise in refusal rates. We are not in a position to give figures on refusal rates for SBCI supported loans. However, under the new Brexit scheme which we are launching tomorrow, we will have a clear indication because the SMEs will be applying to us before they apply to the finance providers involved. We hope to enhance that level of information going forward. One of the struggles is to actually understand what a refusal is because it can depend. If someone walks into a bank, has a conversation with a bank manager and gets a verbal indication, there will be no paper transactional record of that so it has hard to analyse.

Senator Rose Conway-Walsh: I very much welcome that because that information is very important. Even if someone goes in and has that initial conversation that person can be dissuaded from applying and that is never recorded. It is something that needs to be monitored.

Mr. Nick Ashmore: The powerful thing with the scheme being launched tomorrow is that it will mean that a customer will walk into a bank pre-armed with a guarantee. That creates a different conversation.

Senator Rose Conway-Walsh: Has the uncertainty surrounding the common agricultural policy, CAP, had any influence on the SBCI's planning for the next scheme?

Mr. Nick Ashmore: No. We are working with the Department of Agriculture, Food and the Marine based on the market failures which it identifies in the agricultural lending space. We consider anything that impacts on farmers. Obviously, the CAP has a huge impact on farmers but we are not tying it in directly to the underpinning of the next scheme. I imagine it is a factor in the thinking of the Department as it articulates the market failures it has identified. At the end of the day, we are a policy delivery mechanism and the Department is the policy-setting organisation. We really follow its lead in that respect.

Acting Chairman (Senator Kieran O'Donnell): Can I just follow up? I have a lack of knowledge of what the Strategic Banking Corporation of Ireland, SBCI, actually does. It is a bit too abstract for me, if I am honest. Under the scheme being launched tomorrow, will someone apply to the SBCI first?

Mr. Nick Ashmore: Yes.

Acting Chairman (Senator Kieran O'Donnell): Let us say SMEs apply for a loan of €250,000. Will they get a formal approval from the SBCI?

Mr. Nick Ashmore: What they will get is an approval that says that they are eligible for the scheme. It does not mean that their credit is approved.

Acting Chairman (Senator Kieran O'Donnell): They go to AIB, Bank of Ireland or Ulster Bank and apply for €250,000. The rate of interest they would be charged by the bank would be a maximum of 4%. What rate does the SBCI provide that to the bank at?

Mr. Nick Ashmore: The SBCI does not provide them with money. What we do is to guarantee the outcome of that loan.

Acting Chairman (Senator Kieran O'Donnell): If the bank believed that the normal cost of funding on that should be 6%, does the SBCI cover the 2% differential?

Mr. Nick Ashmore: When a bank charges 6%, it is covering a number of different costs. It is covering the costs of the underlying liquidity. That is very low now. It is so low that they do not need our money anymore. We charge 80 basis points for our liquidity. They can fund less than that. They then charge an amount for administration.

Acting Chairman (Senator Kieran O'Donnell): That is what I am more interested in. Explain the 4%. Will the person who qualifies for the loan be charged at 4%?

Mr. Nick Ashmore: At a maximum. If the person is a higher quality borrower, he or she can negotiate a lower rate.

Acting Chairman (Senator Kieran O'Donnell): If the bank comes back and says that the cost of funding to it - the banks refer to it as a blended cost - is let us say that is 6%-----

Mr. Nick Ashmore: Within that 6%, the biggest part of it is the credit margin. That is the part that is there to compensate for losses on that book of loans-----

Acting Chairman (Senator Kieran O'Donnell): I accept that but-----

Mr. Nick Ashmore: -----and what we are doing is we are interfering with that credit margin, by saying that we will take 80% of the risk on these loans. We will not let that full credit margin be charged. That benefit needs to be passed to the SMEs. That is why we drive the discount and that is how-----

Acting Chairman (Senator Kieran O'Donnell): The witness says 80% of the risk. That means that if the loan defaults, the SBCI covers 80% of the loan.

Mr. Nick Ashmore: Yes.

Acting Chairman (Senator Kieran O'Donnell): Does the SBCI make provisions for bad debts and things like that?

Mr. Nick Ashmore: We do.

Acting Chairman (Senator Kieran O'Donnell): How high would the level of provision have been in 2016 and 2017?

Mr. Nick Ashmore: It is a different form of risk. When a guarantee is provided, a much higher level of losses is accounted for. We have done two things. We are taking some of the risk onto the SBCI balance sheet, and we charge a premium for that within the overall scheme. This scheme is funded by a contribution of €23 million in cash from the Exchequer. Some of

that has come from the Department of Agriculture, Food and the Marine and some of it has come from the Department of Business, Enterprise and Innovation. That funding is used in part to cover the cost of the scheme, and in part to cover expected losses under the scheme.

Acting Chairman (Senator Kieran O'Donnell): A final thing-----

Mr. Nick Ashmore: Half of the losses under the scheme are then accounted for by the European Investment Fund. The State is actually passing half of the risk of this scheme back to Europe. That is the first time that the State has made active use of InnovFin through a promotional institution like the SBCI. InnovFin has been applied through Bank of Ireland .

Acting Chairman (Senator Kieran O'Donnell): If someone avails of the scheme, how can the SBCI ensure that the bank will lend under the scheme? Can the bank turn it down?

Deputy John McGuinness resumed the Chair.

Mr. Nick Ashmore: Yes, it can. The banks are still responsible for underwriting the credit, but when the credit is applied, it is applied on different terms because the SBCI is taking a lot of the risk. Given that the SBCI says that the loans can be unsecured up to €500,000, that makes a big difference to an SME applying for a loan.

Deputy Pearse Doherty: I welcome the witnesses to the committee. I have questions to the Minister for Finance in the House shortly, so I will try to be brief. Some of these questions may have been answered while we were voting, so I apologise if I am going over old ground. Can the witness tell us, how much money at a high level has gone out to on-lenders and how much of that has been loaned to the real economy, and how much has been handed back or not been drawn down?

Mr. Nick Ashmore: The overall amount loaned is €920 million. Of that, €144 million has gone out on the agriculture cashflow support loan scheme, which is a risk sharing scheme. The balance has gone out in the form of the original on-lending programme.

Deputy Pearse Doherty: All of it has gone out.

Mr. Nick Ashmore: No, there is still some balance left in some of the non-bank on-lenders that we are working with, which have not fully deployed all of their funds yet, but as regards the banks-----

Deputy Pearse Doherty: The SBCI allocated €70 million to a company. Was that FEXCO?

Ms Suzanne Sweeney: Yes.

Deputy Pearse Doherty: How much of that has it drawn down?

Mr. Nick Ashmore: We do not want to comment on individual cases but it is rapidly approaching half of that funding at this point.

Deputy Pearse Doherty: That was allocated two years ago.

Mr. Nick Ashmore: No, it was allocated towards the end of 2016. We allocate a portion of funding that is designed to be drawn down and delivered over a period of time.

Deputy Pearse Doherty: What period of time was it with regard to FEXCO?

Mr. Nick Ashmore: Within two years.

Deputy Pearse Doherty: We are coming close to that, are we?

Mr. Nick Ashmore: Towards the end of this year we will be.

Deputy Pearse Doherty: Is it concerning that capital that is available to the SBCI has been committed to a company and coming up to a year and a half later around half of the money has not even been drawn down and, therefore, not on-loaned?

Mr. Nick Ashmore: What we have done with each of these on-lenders is help them to either grow significantly an existing operation, or start a new subset of lending. What we tend to see is deployment on a curve, because it takes a little bit of time for them to establish a market position, to win business, to compete for business and to establish relationships with borrowers. We tend to see an acceleration over time of deployment. It starts small and then it grows over that period of time. That is a factor of demand more than a factor of us pushing the money out through them.

Deputy Pearse Doherty: That would all be clear with regard to the business plan they would have had to submit to the SBCI, in terms of the application process, in order that the timeframe would have been clear on the business plan. Did FEXCO present the SBCI with a business plan?

Mr. Nick Ashmore: It did.

Deputy Pearse Doherty: Does every company that has been allocated money present the SBCI with a business plan?

Mr. Nick Ashmore: Yes.

Deputy Pearse Doherty: Did Bibby Financial Services provide the SBCI with a business plan?

Mr. Nick Ashmore: It did.

Deputy Pearse Doherty: Do the banks provide the SBCI with a business plan?

Mr. Nick Ashmore: In the case of the banks, they are either publicly listed institutions or public issues of debt. Their business plans and public information is a matter of public record. We relied on the fact that they were rated in that context, in terms of assessing the credit rating, but they have to supply us with a plan on how they will deploy the funding.

Deputy Pearse Doherty: There is a plan on how they will use the €400 million, in the context of AIB or-----

Mr. Nick Ashmore: That process is complete now. Those funds are fully deployed.

Deputy Pearse Doherty: I know that, but let us look at Bibby Financial Services' business plan, for example. It presented SBCI with a business plan. Then the SBCI monitors on the basis of that business plan, is that correct?

Mr. Nick Ashmore: Yes.

Deputy Pearse Doherty: How much of the funding has it drawn down? Is it roughly the

same? Is it about half?

Mr. Nick Ashmore: I think it is more than that, but we try to avoid discussing individual cases, because there is a degree of confidentiality in our dialogues with these groups.

Deputy Pearse Doherty: I know but this is State money that we want to go into the market so-----

Mr. Nick Ashmore: Absolutely. I have no issue with-----

Deputy Pearse Doherty: ----we need to be assured that money being loaned to lenders is actually being utilised and not-----

Mr. Nick Ashmore: Its facility is substantially used at this point.

Deputy Pearse Doherty: I refer to applicants who apply to the SBCI. Does the SBCI insist that each company has €10 million in equity?

Mr. Nick Ashmore: No. What we do is insist that they represent a risk to the SBCI that is consistent across the scheme.

Deputy Pearse Doherty: Has the SBCI ever insisted to an applicant that there would be €10 million in equity?

Mr. Nick Ashmore: Where the SBCI has looked at a situation around a particular on-lender and the structure indicates that there is a desired level of equity, then we require it to put equity in, but there are other ways that businesses can defray the risk. We are not requiring equity in every single instance but-----

Deputy Pearse Doherty: Has the SBCI ever said that it is a condition that there would be €10 million in equity?

Mr. Nick Ashmore: We may have given an example of a situation, but it is not a hard and fast condition, and it never has been.

Deputy Pearse Doherty: The SBCI may have given an example but it has never requested that to be a condition for any applicant.

Mr. Nick Ashmore: What we have requested is that individuals or organisations apply with a full business plan and case. A slide among the slides we provided outlines the on-lender process.

Deputy Pearse Doherty: Has the SBCI ever suggested that their accounts had to be audited by one of the larger financial accountancy firms, that is, one of the big four or five? Is that a condition?

Mr. Nick Ashmore: No.

Deputy Pearse Doherty: Was it ever a condition?

Mr. Nick Ashmore: No.

Deputy Pearse Doherty: It was never suggested. Presenting a full business plan is a condition unless the applicant is a bank. That is quite clear.

What *ex-post* monitoring of funding provided has been carried out?

Mr. Nick Ashmore: We carry out extensive *ex-post* monitoring. We have first built and provided a system to our finance providers where they have to account for every single loan or facility they provide, be it a leasing facility or an invoice discounting facility. We get granular information business by business, loan by loan, facility by facility, which we then check to make sure that they are eligible and that they have passed on the financial advantage, that is, the discount we have generated. We check on that. We then also have the ability to go back and audit that information. We send in an auditor to conduct a review of the situation and to report back to us as to whether they have complied with those matters.

Deputy Pearse Doherty: Mr. Ashmore has given the committee a scale of the loans, some 22,000 loans and so on, which is impressive. Can he give a breakdown based on the companies? For example, for the €70 million that was provided to FEXCO Asset Finance, how many loans, leases or so on were issued as a result of that? Can he indicate the same for Bibby Financial Services, Finance Ireland and for First Citizen Finance? Can that information be provided to us?

Mr. Nick Ashmore: That is really confidential information-----

Deputy Pearse Doherty: How do we know they have not just used that to clear up the balance sheets of their financial institutions?

Mr. Nick Ashmore: Because we have made sure that every year we have provided for them is allocated to-----

Deputy Pearse Doherty: How can we as a committee make sure that the SBCI is making sure of that?

Mr. Nick Ashmore: We are covered by an extensive governance, audit framework and review as a State body under the code of practice for State bodies.

Deputy Pearse Doherty: How much did it cost the Comptroller and Auditor General to carry out an audit of the SBCI?

Mr. Nick Ashmore: I will ask my colleague to look that up in the annual accounts, and I will extract that information for the Deputy. The Comptroller and Auditor General's audit fees are obviously set by that office. I think it was less than €20,000. That was just the Comptroller and Auditor General's audit. We also have our own internal audit function.

Deputy Pearse Doherty: Let us deal with the Comptroller and Auditor General's audit. His office charged €20,000 to audit the SBCI, which has €980 million in lending. That cannot be done. A wee charity shop down the road would be charged €3,000 for an audit and it would not be making a profit. There is no way-----

Mr. Nick Ashmore: That is not the whole picture. To complete the picture-----

Deputy Pearse Doherty: But it is the picture that provides us with a-----

Mr. Nick Ashmore: No, it is the top of the pyramid.

Deputy Pearse Doherty: How is the Comptroller and Auditor General able to do an audit of the SBCI, which has nearly €1 billion in lending, for €20,000? I find that astonishing. The

Comptroller and Auditor General is obviously not looking at the accounts of the companies that the SBCI is-----

Mr. Nick Ashmore: In terms of our own assurance, we review all the accounts and financial information of the on-lenders to which we are lending and to which we are on-risk. The primary bearer of the risk and responsible party for the risk is the SBCI. We then have a lines-of-defence process. We have a risk team as well that is overseeing how we do that process, what we check, and all the covenants we check. All our loan agreements have significant covenants around deployment rates, business plans, the health of the finance of the business and profitability, and we check all of those religiously on a quarterly basis. We then have our own internal audit function, which we leverage by using an outsourced firm in that context.

The audit fee for the Comptroller and Auditor General for 2016 was €27,000.

Deputy Pearse Doherty: It was €27,000.

Mr. Nick Ashmore: We also expended an amount with KPMG as our outsourced international auditor. It conducts at least three separate internal audits a year on different aspects of our business. Beyond that, we have also-----

Deputy Pearse Doherty: Will it look at, for example, the accounts of the company to which the SBCI lent the money? For example, will it look to see that the company did not use the money the SBCI lent on behalf of the State to write down a debt to its parent company?

Mr. Nick Ashmore: It is our internal auditor. It checks all our processes, all our reviews of the financial statements and so on. We are also engaged with it to go out separately on site to review the on-lender's performance and that it is complying with all our requirements, actually auditing its books and records.

Deputy Pearse Doherty: Is the SBCI's internal auditor also auditing the accounts of the companies to which it is lending?

Mr. Nick Ashmore: Not their accounts. It is auditing their compliance with other requirements under the loan agreements.

Deputy Pearse Doherty: What are the SBCI's requirements-----

Mr. Nick Ashmore: That they account accurately for every single loan for which they use the funding.

Deputy Pearse Doherty: That does not mean to say that, in the meantime during a period, they have not used the money for other purposes.

Mr. Nick Ashmore: We talked about that point earlier. As we structure the loans, ideally, one would fund loan by loan. They would draw down a loan and then pass it straight to the small and medium enterprise, SME. However, in practical terms, to deal with that we tend to fund in tranches. There are 23,000-odd loans at this stage, we do not have the resources, systems and operations to do that and it would be prohibitively expensive for the on-lender. Those tranches are either drawn in advance and then deployed or they are drawn in arrears after the loans have been deployed, depending on the financial institution or on what works more effectively. However, where they draw the funds in advance, they have a limited period in which to use those funds. We did not give FEXCO Asset Finance €70 million upfront. It draws down from us as it needs the funding in tranches that are manageable, maybe €5 million or €10 mil-

lion at a time. We pre-agree the schedule of tranches to be drawn down in advance. We make sure they will not be able to sit on large amounts of money but we provide the funding when they call it from us in order for them to be able to run their businesses effectively. There is a very small window of time where funds might sit on a balance sheet but we are generally looking at situations where the funds in some cases may be in a separate vehicle, in which case they would not be used for anything else apart from sitting on deposit.

Deputy Pearse Doherty: Mr. Ashmore might talk about that separate vehicle. Is a special purpose vehicle, SPV, a requirement for-----

Mr. Nick Ashmore: No. It is used where it can help us manage the risk the SBCI is taking. We need to manage all of these situations for a common level of risk that is acceptable to the SBCI and that protects Irish taxpayer funds and European investment funds. In some cases it makes sense to use a separate vehicle to ring-fence the funds and ring-fence the underlying loans in order that we can secure on those loans and make sure that we can then recover the funds.

Deputy Pearse Doherty: Why does the SBCI not do it for all of them? If it is okay for Merrion Fleet finance to require an SPV in respect of its loan, why is it not the case in respect of FEXCO? Does FEXCO not do loans for leasing cars, machinery and so on?

Mr. Nick Ashmore: It does, yes.

Deputy Pearse Doherty: Why is there no SPV requirement for one and an SPV requirement for another?

Mr. Nick Ashmore: We would use an SPV where we need that to manage the risk. In other situations, there may be other ways we can manage the risk, depending on how the transaction is structured.

Deputy Pearse Doherty: Will Mr. Ashmore give me an example? If it is in an SPV, the SBCI knows exactly where the money is.

Mr. Nick Ashmore: If the money is at risk to-----

Deputy Pearse Doherty: If the SBCI puts it into the account of one of the others such as Bibby or FEXCO, it will have mixed all the money together so therefore it does not know if that money is being used to pay off debts in the short term.

Mr. Nick Ashmore: It is only for very short periods we might not know what that money is used for but after that we know exactly what that money is being used for because we have accounted for it on a loan-by-loan basis.

Deputy Pearse Doherty: I ask Mr. Ashmore to answer the question. Why does the SBCI insist on an SPV in a number of companies, most of them, but no SPVs in others?

Mr. Nick Ashmore: Because in others we might have another form of risk mitigation.

Deputy Pearse Doherty: Like what? That is the point.

Mr. Nick Ashmore: If we are lending to a larger group such as a bank that is rated, then we have comfort on the financial standing of the larger entity.

Deputy Pearse Doherty: Yes, but we are not talking about the bank. We are talking about

the likes of Bibby or FEXCO, which are not banks.

Mr. Nick Ashmore: They are part of larger organisations with larger balance sheets.

Deputy Pearse Doherty: The SBCI would take into account the fact that there is a British parent company-----

Mr. Nick Ashmore: Yes, that it is behind the facility.

Deputy Pearse Doherty: -----and it has got guarantees and all the rest. Those are the SBCI's assurances in regard to that. That is clear enough.

On the roles of auditors in accountancy firms, what roles do they play in the selection process and how does the SBCI ensure that, given that these auditors are the same auditors for the firms that are applying, there is no-----

Mr. Nick Ashmore: We make sure there is no conflict of interest at every point where we engage with an auditor. That is a check that every auditor would do before it takes on an assignment. We use the auditors in the due diligence for on-lenders for what we call confirmatory due diligence, so we send them in to check that everything we have been told by that institution is true. They go in, check, dot all the i's, cross all the t's and make sure that what they are telling us is the reality.

Chairman: What auditors?

Mr. Nick Ashmore: We have a panel of five audit firms, which include Deloitte, EY, Grant Thornton, Mazars and PwC. They are procured under a panel and we then do a mini-tender for each instance where they go out and do work. They form one of the later stages in due diligence in the bringing on board of a new on-lender.

Deputy Pearse Doherty: There is never a case where an auditor or adviser to an applicant would also sit on the selection committee?

Mr. Nick Ashmore: They do not sit on the selection committee. That decision is not down to the auditor. The auditor furnishes us with a report.

Deputy Pearse Doherty: They do or they do not? I am sorry, I did not hear that.

Mr. Nick Ashmore: The auditors do not sit on the selection committee.

Deputy Pearse Doherty: They are not involved in any part of the selection-----

Mr. Nick Ashmore: They do not make any decisions. They just provide assurance.

Deputy Pearse Doherty: What about the intentions of the SBCI to go off balance sheet? It was originally envisaged that it would be an off-balance sheet vehicle. What are the SBCI's intentions in this area? Does it have any intentions?

Mr. Nick Ashmore: We do not have any active intentions at the moment. We set the SBCI up in the full intention for it to be off balance sheet. We structured it in a certain way. We worked with the CSO and EUROSTAT in anticipation of that. In reality, EUROSTAT came in, reviewed the SBCI and concluded at the last stage that we were on balance sheet. However, it did provide us with a letter at the time that said if we diversified our activities in other areas, that is, away from the SBCI lending and if we have other activities in there and we can show we are

commercial, it would be happy to have another look at it in a few years' time. It is something that is in the back of our minds. If down the road, it is something that is of real value to the State and the SBCI's operations and we can make a case, in conjunction with the Department of Finance, we might look to do that. At the moment, we are not actively pursuing that because we are really SME-focused. We are also not materially increasing the Government's debt at the moment because we are not adding large amounts of liquidity lending to that process because we have completed the bank exercise at this point.

Deputy Pearse Doherty: Has the SBCI provided any loans for developers or companies involved in building? I think €45 million for the construction sector has been lent. Is that something in which the SBCI is already involved? Does it have ambitions to expand that, given the crisis we have at the moment?

Mr. Nick Ashmore: We have remained focused on SMEs. Our activity in that context is to fund the contractors and the business people doing the building. It is to fund the builders, not the developers, so we have a very clear exclusion for property development and that was something we put in at the very beginning partly in response to the KfW parameters. That funding came with a very clear "no property" stipulation. Obviously, times have changed-----

Deputy Pearse Doherty: No property development but the builder who is building-----

Mr. Nick Ashmore: Absolutely, we want to support the small contractor or builder. It is one of the areas in which we are actively conducting research.

Deputy Pearse Doherty: So the SBCI has lent €45 million to small builders?

Mr. Nick Ashmore: Subcontractors, builders and building firms - it is not for property development purposes.

Deputy Pearse Doherty: That could be an electrician company as opposed to somebody who is going to build ten houses? The SBCI is not planning to go in there. I return to a question I put earlier. While Mr. Ashmore mentioned reasons of confidentiality, I do not understand why we would not be able to see how many loans a company that has been awarded public money has provided. FEXCO is involved in machinery leasing but I could also go in and get a hire purchase from it.

Mr. Nick Ashmore: Not from FEXCO. Finance Ireland has a consumer business, as does First Citizen Finance. They are in separate activities. They are not using SBCI funds and we know they are not using SBCI funds.

Deputy Pearse Doherty: They are not using them for those purposes and it is only SMEs. I do not want any details but surely Mr. Ashmore can tell me that the €70 million of public funding allocated by the SBCI went to ten individuals or 10,000 individuals. This is important information to which we should be entitled. Obviously, we know the SBCI must lend this money so I cannot see why this information would not be provided. I encourage the SBCI to do that. How many staff members does SBCI have?

Mr. Nick Ashmore: We have 19 staff members. We also have significant support from the NTMA in terms of shared services and operations but we have 19 dedicated members of staff.

Deputy Pearse Doherty: How many staff members is the SBCI allocated? Are there vacancies?

Mr. Nick Ashmore: We have clearance under our staffing plan this year to go up to maybe 22 or 23. We only hire on a needs basis, so we will hire as we need extra staff and as we grow the operations.

Deputy Pearse Doherty: Is the remuneration of the staff public? How is that dealt with?

Mr. Nick Ashmore: It is reported in compliance with the code of practice in the annual report.

Deputy Pearse Doherty: What is that? I have not read that.

Mr. Nick Ashmore: That provides for a breakdown of staff in salary bands, full disclosure of the CEO's package and an aggregate figure in terms of the staffing costs in the period.

Deputy Pearse Doherty: Is the current remuneration a disadvantage in terms of attracting individuals? Can Mr. Ashmore outline what the remuneration is?

Mr. Nick Ashmore: As we operate on the basis of a partnership with the NTMA, the NTMA is the employer of all the staff of the SBCI. We use the NTMA human resources team and model for remuneration and recruitment. We have found that to be effective and we feel we have built a very high-quality team as a result.

Deputy Pearse Doherty: There is no bonus structure with the SBCI?

Mr. Nick Ashmore: A couple of years ago, the NTMA introduced performance-related pay. As NTMA employees, it is up to the SBCI board as to whether that would be a factor for the SBCI.

Deputy Pearse Doherty: Have bonuses been paid out so far?

Mr. Nick Ashmore: No.

Deputy Pearse Doherty: No bonuses have been paid. When would they be due?

Mr. Nick Ashmore: It is something that is under consideration for the 2017 period to look at for this year.

Deputy Pearse Doherty: What are the indicators it will measure?

Mr. Nick Ashmore: It is for exceptional performance but it involves a very limited number and proportion of staff. It is limited in terms of the amount as well.

Deputy Pearse Doherty: Is it the top management, including Mr. Ashmore, and senior decision makers?

Mr. Nick Ashmore: No, it would involve the whole team.

Chairman: With the permission of members, I suggest that because of the way the meeting has gone today, we should invite Mr. Ashmore back. I will explain that in a second. If we agree to set another date when we can resume this meeting-----

Senator Gerry Horkan: Obviously, we were time limited today but I think all of us have questions we might like to ask on another occasion.

Chairman: What happened today was that there was a clash of business here in the House.

We had to go to vote and other committees are waiting to use this room so members have not had the opportunity to ask questions. I know Senators Kieran O'Donnell and Horkan and other Deputies want to come back in again. I ask that Mr. Ashmore agree to setting a date with the clerk that is suitable for him to resume the meeting.

Mr. Nick Ashmore: Absolutely.

Chairman: At our next meeting, could Mr. Ashmore give us a breakdown of the names on the board, those on the SBCI selection committee and any other committees the SBCI might be running and a breakdown of debt, non-performing loans and so on? To return to a question asked by Deputy Pearse Doherty, can Mr. Ashmore give us the list of companies with which the SBCI is dealing and tell us how each of those companies have ticked the boxes relative to the moneys they have received? It was Mr. Ashmore who brought up the names of the companies in terms of First Citizen, FEXCO, Bibby Financial Services and so on. I ask him to give us as much detail as he can in order that the committee can determine the standard of the SBCI's governance. It would be similar to the slides he gave us here today, except it would have far more detail. I think Mr. Ashmore can liaise with the clerk with regard to that if he so wishes. What I am thinking of is whether any of the companies the Strategic Banking Corporation Ireland, SBCI, deals with have a special purpose vehicle, SPV, the equity, the business plan, the working capital, the amount approved, the amount drawn down, the amount paid back and when a dividend is likely to be paid to the State. I would like those questions answered relative to each of the companies with which the SBCI is dealing.

Mr. Nick Ashmore: We will endeavour to provide as much detail as we can in confidence-----

Chairman: As you can, yes.

Mr. Nick Ashmore: -----but there is a degree of confidentiality around this.

Chairman: We understand that, but the degree to which we worry here and the degree we are charged with is the oversight of SBCI, relative to the taxpayers' interests, and we will push that to its limit. If Mr. Ashmore would not mind pushing the information he has to its limit in the interest of serving that purpose, we would appreciate it-----

Mr. Nick Ashmore: Okay.

Chairman: -----and it might help us direct our questions in a more specific way to him. I ask that we might have that information prior to the next meeting. The clerk to the committee will help Mr. Ashmore in terms of the information we want, and then we can set another date. My apologies for the short meeting today but, unfortunately, that is the way the House is being run today. I thank Mr. Ashmore and Ms Sweeney.

The joint committee adjourned at 3.51 p.m. until 2 p.m. on Tuesday, 24 April 2018.