# HOUSES OF THE OIREACHTAS

**Volume 2**

**No. 43**
**Morning**
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**Afternoon**

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**AN COMHCHOISTE FIOSRÚCHÁIN I DTAOBH NA GÉARCHÉIME BAINCÉIREACHTA**

**JOINT COMMITTEE OF INQUIRY INTO THE BANKING CRISIS**

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*Déardaoin, 9 Iúil 2015*

*Thursday, 9 July 2015*

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The Committee met at 9.30 a.m.

MEMBERS PRESENT:

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| Deputy Pearse Doherty, | Senator Sean D. Barrett, |
| Deputy Joe Higgins, | Senator Michael D'Arcy, |
| Deputy Michael McGrath, | Senator Marc MacSharry, |
| Deputy Eoghan Murphy, | Senator Susan O'Keeffe. |
| Deputy Kieran O'Donnell, | |
| Deputy John Paul Phelan, | |

DEPUTY CIARÁN LYNCH IN THE CHAIR.

So I now propose that we suspend until 11.50 a.m., as we'll just need to pull back a bit of time if we need to get through the day. So is that agreed? Agreed.

*Sitting suspended at 11.37 a.m. and resumed at 12.07 p.m.*

## Quinlan Private - Mr. Derek Quinlan

**Chairman:** And we now commence with our second session of today which is public hearing with Mr. Derek Quinlan, former executive chairman and founder of Quinlan Private. The Committee of Inquiry into the Banking Crisis is now resuming in public session. Can I ask members and those in the public Gallery to ensure that their mobile devices are switched off. At our next session we will hear from Mr. Derek Quinlan, former executive chairman and founder of Quinlan Private. This is the first of several sessions at which the inquiry will focus upon the relationships of the property development companies and their principal financial institutions.

Derek Quinlan founded the business which was to become known as Quinlan Private in May 1989. He has been involved in significant investment and development in the United Kingdom, Ireland and several other European locations over a 25-year period. He acted as both principal and adviser in some of the most significant real estate investments of the last 14 years. Mr. Quinlan retired as chairman and founding partner of Quinlan Private in May 2009. Mr. Quinlan, you're welcome before the committee this afternoon.

Before hearing from the witness, I wish to advise the witness that by virtue of section 17(2)(*l*) of the Defamation Act 2009, witnesses are protected by absolute privilege in respect of their evidence to this committee. If you are directed by the Chairman to cease giving evidence in relation to a particular matter and you continue to so do, you are entitled thereafter only to a qualified privilege in respect of your evidence. You are directed that only evidence connected with the subject matter of these proceedings is to be given. I would remind members and those present that there are currently criminal proceedings ongoing and further criminal proceedings are scheduled during the lifetime of the inquiry which overlap with the subject matter of the inquiry. Therefore, the utmost caution should be taken not to prejudice those proceedings.

Members of the public are reminded that photography is prohibited in the committee room. To assist the smooth running of the inquiry, we will display certain documents on the screens here in the committee room. For those sitting in the Gallery, these documents will be displayed on the screens to your left and right. Members of the public and journalists are reminded that these documents are confidential and they should not publish any of the documents so displayed.

The witness has been directed to attend this meeting of the Joint Committee of Inquiry into the Banking Crisis. You have been furnished with booklets and core documents. These are before the committee, will be relied upon in questioning and form part of the evidence of the inquiry. So with that said, if I can now ask the clerk to administer the oath to Mr. Quinlan please.

*The following witness was sworn in by the Clerk to the Committee:*

Mr. Derek Quinlan, former Chief Executive and Founder, Quinlan Private.

**Chairman:** Thank you. Before we commence there, do you have your phone switched off, Mr. Quinlan, have you?

**Mr. Derek Quinlan:** Pardon?

**Chairman:** Do you have your phone switched off?

**Mr. Derek Quinlan:** Oh I do, yes.

**Chairman:** Okay, thank you. All right, with that said so, I'll get down to business and maybe if I could ask you to make your opening remarks please, Mr. Quinlan, to the committee.

**Mr. Derek Quinlan:** Thank you, Chairman. Good morning, Chairman, and inquiry members. I have furnished the committee with a written statement in accordance with a request made to me. I don't intend to quote from this statement but will welcome the opportunity to make some additional comments to the inquiry.

It may be of assistance if I begin by providing the committee with a short introduction of myself so that I may outline my financial background and experience. In 1970 I graduated from University College Dublin with a bachelor of commerce degree. Subsequently I trained at Cooper Brothers and Co., now known as PricewaterhouseCoopers, where I qualified as a chartered accountant in 1973. While at Cooper Brothers and Co., I worked in their tax department. In 1975 I successfully applied to the Civil Service Commission and became an inspector of taxes, where I stayed for six years. In August 1981 I was made a tax partner at John Woods and Co., now known as Grant Thornton. In May 1986 I formed Quinlan Ryan, a small chartered accountancy firm, with two partners, and the firm remained in existence for three years. In May 1989 I commenced trading as a chartered accountant under the title "Derek M. Quinlan, Chartered Accountant". In 1990 I put together a deal to purchase a number of units in the recently opened Square shopping centre in Tallaght, Dublin. This was my first significant property deal on behalf of clients. Other significant investments took place during the 1990s, including an investment of approximately €250 million in the IFSC.

The committee will have noted from my statement that I refer to the ... the activities of Quinlan Private, as I was asked to provide a statement regarding my company. I believe it is important to note that I would have personally invested in a large number of the investments put together by Quinlan Private. I would also have invested personally in other investments. The committee has, I'm sure, at this stage heard from other witnesses that, with hindsight, the growth in the Irish property market from 2001 to 2008 was enormous. It is now clear, for a number of reasons that were then unknown to me - and, I believe, to the majority of people at that time - that this growth was unsustainable. I genuinely did not believe that the market was in danger of collapse until I heard of the fall of Lehman Brothers in September 2008.

In my opinion there are three key areas which I feel are important in the context of the inquiry. During the period 2002 to 2007 there was a huge "feel good" factor in play in Ireland and most people bought into this reality, including myself. There were very few opposing views. This was just not an Irish phenomenon, it was actually international. In his book *The Map and the Territory*, published in 2014, Alan Greenspan, the former chairman of the American Federal Reserve said:

> The Federal Reserve['s] ... highly sophisticated forecasting system did not foresee a recession until the crisis hit. Nor [he continued] did the [...] forecasting model developed by the [...] [IMF], which concluded as late as spring 2007 that [the] "[...] economic risks had declined since September 2006 [and that] [...] signs everywhere were encouraging."

The second point I'd like to make, I did not realise that the long-term bank finance being provided by the Irish banks was being funded on short-term borrowings from international banks and others. This model was clearly not sustainable. If I had known this at the time, I certainly would not have invested in Irish property. Finally, I was not aware - and I believe that most people were not aware - of what was going on internationally with sub-prime lending in the United States. This had, I believe, a huge impact on both the Irish and international banking sector, as liquidity dried up in a very short period of time.

I believe it's important to note that Quinlan Private invested in quality commercial properties. These were in prime locations. I have a fundamental philosophy in relation to property investment which is based on four main tenets: location; timing; liquidity; and confidence. It is clear, in Ireland, that, at the one time, all of these factors were decimated. I did not foresee this. I don't believe it would have been reasonable to do so. Neither the Irish banks nor the Ministers for Finance nor the Economic and Social Research Institute knew that the banking crisis was imminent. Rather, all parties envisaged a very bright future for the Irish economy and the Government of the day continued with high expenditure to fit in with that forecast.

I would like to conclude by taking this opportunity to state that I am deeply saddened at the fallout from the banking crisis. I recognise that, for a very large number of people in Ireland, it has had an unprecedented and devastating impact.

**Chairman:** Thank you very much, Mr. Quinlan. We'll commence with the questioning this morning, so if I can invite Deputy Joe Higgins. Deputy, you have 25 minutes.

**Deputy Joe Higgins:** Thank you. Good afternoon, Mr. Quinlan. Mr. Quinlan, the banking inquiry is for the purpose of, and I quote from the terms of reference, "to inquire into the reasons Ireland experienced a systemic banking crisis, including the political, economic, social, cultural, financial and behavioural factors and policies which impacted on or contributed to the crisis". Now, in your opening statement, Mr. Quinlan, you say it's not accurate to call you a property developer. But can you give the inquiry any insights into how the activities of people like yourself - however you would describe yourself - and companies and partnerships, like Quinlan Private, impacted on or contributed to the crisis?

**Mr. Derek Quinlan:** Well, we ... I can only ... I can't answer for anybody else, Deputy, but, I mean, we were not aware that ... I say hindsight is 20/20 vision, we were not aware how bad things were in 2008 or 2007, in fact. And, as I said in my opening statement there, the sub-prime crisis in America, nobody here could spell "sub-prime", you know, there was no sub ... what was known as sub-prime lending that took place in America ... was taking place in Ireland. And that had a devastating effect on liquidity in the banks and it came very quickly. And, as I quoted from my opening statement, Alan Greenspan, who was 19 years the chairman of the Federal Reserve, said that their own systems didn't forecast the dreadful happening that was going to happen in the financial world.

**Deputy Joe Higgins:** So just to clarify, are you putting all this then on the macro-financial situation internationally and-----

**Mr. Derek Quinlan:** Well, Ireland was ... in my view, Ireland was affected by the sub-prime crisis. Banks here were very seriously ... because liquidity in the banking system dried up very, very quickly.

**Deputy Joe Higgins:** But we ... we'll explore some of those and related issues. Could I just bring up the graph from your introductory written statement ... from page 3, which will come up on the screen there, Mr. Quinlan. "Assets by Type - Based on valuation", and this is from your

2006 business and transaction overview, Quinlan Private.

**Mr. Derek Quinlan:** Yes.

**Deputy Joe Higgins:** So, we have here 6% retail, then we have office, then the light blue is hotel and mixed use is a considerable portion, and then some residential. Can you just say ... tell us, what is mixed use, just briefly?

**Mr. Derek Quinlan:** Well, in a mixed-use development ... it would contain an element of retail, it might contain some warehousing, storage, all the things that would make a mixed-use development.

**Deputy Joe Higgins:** Okay. Would land earmarked for future development come into ... under that?

**Mr. Derek Quinlan:** No.

**Deputy Joe Higgins:** What would that be in?

**Mr. Derek Quinlan:** Well, at the time, as you can see there, at that time, we didn't have land for future development or very little, I would suggest.

**Deputy Joe Higgins:** Okay. Mr. Quinlan, on page 5 of your ... your written statement, you gave us a table showing what seems to be exponential growth of the total property assets under management. And if I just take an example there of... for example, in 2003, your total assets is €1.6 billion, which is a 43% increase over 2002; 2004 €3 billion, which is 83% over 2003; 2005 is an increase of 41%; and then you say that, I think, your total assets were about €10 billion probably by 2008, which would be another 136%. So from 2000 to 2008, Quinlan Private went from €602 million to €10 billion - a growth rate of 1,561%. Looking back on that, is that an astonishing rate of growth of your assets?

**Mr. Derek Quinlan:** Well, that's factually what happened, Deputy, and I can explain. You know, in 2003 ... The difference between 2002 and 2003, we were involved in very significant international investments at that point in time.

**Deputy Joe Higgins:** And in general how-----

**Mr. Derek Quinlan:** Sorry ... so these were not investments in Ireland, these were investments... We were involved with Deutsche Bank in the refinancing. They had fixed assets on their ... they had property assets on their balance sheet and, in 2002, Deutsche Bank, for the first time, I believe, in a long time, maybe in their history, lost money and the advice from their advisers to the board of the bank was they have to get rid of their property that was on the balance sheet and also to get rid of their private equity business because Deutsche Bank would have been famous for holding investments in companies like Mercedes-Benz, Siemens and other well known German companies. So they had to sell this property and we were involved in the refinancing of that.

**Deputy Joe Higgins:** In general, Mr. Quinlan, you financed this large accumulation from a range of banks, Irish and international, would that be true?

**Mr. Derek Quinlan:** Yes.

**Deputy Joe Higgins:** Okay. Now on page 3 of your opening statement, Mr. Quinlan, you say, "Anglo Irish Bank was Quinlan Private's principal financial institution". And Anglo's assets growth, which we've had evidence about in the course of the inquiry, would kind of mirror to some extent, the rate of growth of Quinlan Private. For example, in 2004, you don't ... I will just allude quickly to these figures. In 2004, Anglo's assets grew by 34.5%; 2005, 44.4%; 2006, 32%. So Anglo was growing exponentially, obviously, with much greater loans outside of Quinlan Private. Can you see a relationship between what was going on with Quinlan Private and with Anglo Irish at the time?

**Mr. Derek Quinlan:** It was exactly the same, Deputy, and when you refer to Anglo Irish Bank, I would just like to make a quote so ... just to put it all in context for you if you don't mind for a moment. Oliver Wyman in January 2006 at the World Economic Forum in Davos - Oliver Wyman - I will explain who they are in one moment - described Anglo Irish Bank as "the world's top performing bank" in a report called "State of the World's Financial Services Industry" presented at the World Economic Forum. Oliver Wyman is a global managing consulting group with 3,700 professionals. It is part of a bigger group called Marsh and McLennan, which is quoted on the New York Stock Exchange and has a market capitalisation of €31 billion. In fact, I see a note from Davy Stockbrokers in 2003 quoting, in relation to Anglo Irish Bank, "A phenomenon in the European banking sector, excellent and tightly knit management team, a simple and ruthlessly pursued business model, an entrepreneurial culture which is rare in a bank." I am just quoting two things in relation to the bank so I can't comment about ... you know, I haven't followed the statistics that you are saying in relation to the bank but I would have said that all the banks were showing exponential growth.

**Deputy Joe Higgins:** Yes, and the evidence is that there was a heavy concentration of property lending as part of that growth. But can I put to you then what Governor Honohan of the Central Bank said in relation to this type of growth:

> A very simple warning sign used by most regulators to identify a bank exposed to increased risk is rapid balance sheet growth. An annual growth rate of 20% is often taken as a trigger. Each of the locally controlled banks had at least one year in which this threshold was triggered. One of them Anglo crossed it eight out of nine years and indeed this average annual growth rate was 36% from 1998 to 2007.

And other witnesses here reference alarm at that level of growth. Were you alarmed by the level of growth in the banks that you were dealing with, of their lending? And, indeed, had you any worries about your own amount of exposure?

**Mr. Derek Quinlan:** Yes, we at the time ... hindsight, as I say, Deputy, is 20:20 vision, but, at the time, there was no sign out there that any of the Irish banks were stressed. You know, as I say I am only quoting from the Oliver Wyman report to the World Economic Forum at Davos, which is a very prestigious meeting that takes place every year, and a firm of this repute would not be making that statement about an Irish bank without some hard facts at the time. They don't do that kind of thing.

**Deputy Joe Higgins:** On the other hand, Mr. Quinlan, would the property bubbles and crashes, for example, in the Scandinavian countries in the 80s and 90s, would that not have given you pause for thought?

**Mr. Derek Quinlan:** Well, quite frankly, Deputy, I was not focused on ... I've never invested in Scandinavia and I wasn't focused on what was happening in Scandinavia in the late 80s or early 90s. I did not reference it to what was happening here in the-----

**Deputy Joe Higgins:** Would you agree that there are elements here that are universal? Scandinavia just happened to be the ... you know, Professor Morgan Kelly illustrated up to almost 30 property booms over the last 20 or 25 years which bubbled and then burst.

**Mr. Derek Quinlan:** Well, obviously, one of the points that I have made there in my submission is about timing. When I spoke just a few minutes ago, I spoke about how important timing is so I can't comment about the Scandinavian... I don't know enough to say anything about Scandinavia.

**Deputy Joe Higgins:** In page 10 of your written statement, if you can put it up please, your *modus operandi* under that graph, financial gearing is... you say "deliver the benefits of financial leverage providing the investor with geared returns on the non-recourse basis". Can you explain that, please?

**Chairman:** Sorry what page?

**Deputy Joe Higgins:** It's page 10 of the written statement that Mr. Quinlan has provided and those arrows there. It's the second last one, financial gearing. It is from "Business and Transaction Overview", April 2006, Quinlan Private.

**Mr. Derek Quinlan:** Just to explain, Deputy, depending on how much ... you measure the return on an investment, on the amount of equity that is invested. So if you buy a property for €1 million and you invest €1 million in it so there is no borrowing and the property is producing, we will say, 7%, you're getting a 7% return on your €1 million. But if, in fact, you can gear that and put in half a million bank debt, which would be comfortable, assuming that the level that the interest rates were at the moment, then you are improving the return on your equity because after 12 months, if you sell the property, we'll say, for €1.1 million, then there is a much higher return on your equity because you have only €500,000 of equity in there. You're earning 20% on your equity in a year. So people in, not alone in property companies, publicly quoted companies, everybody uses bank debt to ... They need bank debt.

**Deputy Joe Higgins:** And was the use of extreme leverage a factor in the crash?

**Mr. Derek Quinlan:** I think there is ... like, in hindsight, it's very easy to say the answer is yes to that question. There was definitely, in some instances, you know, there was too much leverage being given. But you-----

**Deputy Joe Higgins:** Okay. Mr. Quinlan, speaking in general terms, the average loan discount of loans transferred by the banks to NAMA went from the 30% suggested initially by the banks to 58%, the write-down.

**Mr. Derek Quinlan:** Yes.

**Deputy Joe Higgins:** Did that size of discount surprise you or Quinlan Private at the time?

**Mr. Derek Quinlan:** Well, I had retired from Quinlan Private when NAMA came into operation in November 2009. And I'm not too sure how you arrive at that statistic. What's ... how do you arrive at that? I'm not ... I don't understand the percentage.

**Deputy Joe Higgins:** Well, the face loans ... the face value of the loans before they were transferred and to when NAMA took them over was a haircut of 57%.

**Mr. Derek Quinlan:** Sorry, I don't understand, Deputy. Is that based on €74 million of debt-----

**Deputy Joe Higgins:** Yes.

**Mr. Derek Quinlan:** -----or the cost price of the property?

**Chairman:** Mark to market-----

**Mr. Derek Quinlan:** Yes.

**Deputy Joe Higgins:** The write-down was-----

**Mr. Derek Quinlan:** No, no-----

**Deputy Joe Higgins:** -----NAMA told us in evidence-----

**Mr. Derek Quinlan:** Sorry, I don't understand.

**Chairman:** The book value, Mr. Quinlan.

**Mr. Derek Quinlan:** The book value?

**Chairman:** The book value, yes.

**Mr. Derek Quinlan:** The book value. But the book value, Mr. Chairman, could have been more than €74 million. That was the value of the debt.

**Deputy Joe Higgins:** Well, in any case, it was, would you agree, a substantial haircut?

**Mr. Derek Quinlan:** Oh yes.

**Deputy Joe Higgins:** In ... do you agree that there was a bubble? Would you call it a property bubble that existed in the 2000s?

**Mr. Derek Quinlan:** In hindsight, in hindsight, Deputy, there is no doubt about it, that prices in Ireland fell more than anywhere else and I have a graph here in relation to what happened in Spain as a comparison and our prices dropped significantly more than Spain. I cannot say why the reason for that is.

**Deputy Joe Higgins:** Okay. Mr. Quinlan, in evidence to this inquiry, a US regulator and financial prosecutor, Professor Bill Black, you may have heard of him; perhaps you didn't?

**Mr. Derek Quinlan:** No, I haven't heard of him.

**Deputy Joe Higgins:** He spoke about the dangers which he claimed were ... should have been well recognised of too fast a growth and I'll just quote, it's page 1 and 2 of his written ... or, sorry, his oral testimony, but you don't need to read it because I'll read a paragraph or two.

**Mr. Derek Quinlan:** Is this going to come up on the screen?

**Deputy Joe Higgins:** It will, yes, but I think it's easily absorbed, the idea that he is putting here. So, to quote, he said:

> Here is the recipe which leads to something distinctive. It is a recipe that the institutions [he's speaking about financial institutions] follow-----

**Mr. Derek Quinlan:** Sorry, what page there?

**Chairman:** Yes, we need to assist the witness and just show him on a page where it is, Deputy.

**Deputy Joe Higgins:** It's in the very first of his oral evidence, of Mr. Black's oral-----

**Chairman:** Yes, and what page?

**Deputy Joe Higgins:** It's page 1 and 2 from my-----

**Chairman:** Okay, all right.

**Mr. Derek Quinlan:** I'm on page 260 here.

**Chairman:** Yes, that's all right.

**Deputy Joe Higgins:** Yes, if you just ... sorry, we are nearly there, just keep going ... scrolling up, please. Now, yes, exactly. The last paragraph there, Mr. ... oh, stop, stop.

**Chairman:** Yes, "Here is the".

**Mr. Derek Quinlan:** Okay.

**Deputy Joe Higgins:** So, "Here is the recipe"; can you see that?

**Mr. Derek Quinlan:** Yes, I can see that now.

**Deputy Joe Higgins:** Yes. I'll read it quickly perhaps:

> Here is the recipe which leads to something distinctive. It is the recipe that the institutions follow which produces the worst losses, is most likely to cause hyperinflated bubbles, is most likely to cause catastrophic individual losses, and is most likely to cause future crises. I am speaking about the past throughout the world, but my focus is going forward in Ireland with regard to policies the committee might consider recommending. The recipe has four ingredients: grow like crazy; make terrible quality loans - not kind of bad but absolutely terrible and obvious on their face loans; while employing extreme leverage, which means a whole lot of debt compared to equity; and while setting aside no meaningful loss reserves for the inevitable catastrophic losses which will follow.

And just the next paragraph:

> these four ingredients are followed it is mathematically guaranteed - and let me emphasise it is not hypothetical but mathematically guaranteed given how ... accounting works - there will be three ... things. The bank will report, almost immediately, record profits. Under modern executive compensation the senior leadership will promptly be made wealthy but many other people in the food chain will also be made wealthy because the same perverse incentive structures are used to ensure they make those really crappy loans I talked about. The third sure thing is that down the road there will be catastrophic losses.

**Chairman:** Question, Deputy.

**Deputy Joe Higgins:** Do you recognise any prominent features that were manifest in the Irish property bubble and bust from Mr. Black's theoretical outline there, Mr. Quinlan?

**Mr. Derek Quinlan:** Well, I've ... this is the first time, Deputy, that I have read this. What I'm saying, in hindsight, of course one can look back and say, you know ... but a lot of people at the time, Deputy, and I want to just ... just to put this in context, the ... sorry, I apologise, I just need to get my paper out. A lot of people mistook what was happening in the market place and including those who internationally were extremely well advised. The chairman of the Federal Reserve, in 2007, felt that $100 million ... billion was going to be the sub-prime losses. This is the chairman of the Federal Reserve in 2007. Now, that was around February 2007. Now, the chairman of the Federal Reserve, they have a wonderful system, as I refer to it back here about Alan Greenspan, they did not see this coming. Now, that was in March 2007 where, you know, the Federal Reserve, the biggest Government bank, as I understand it, in the world did not see it coming while, within a very short period of time, in May 2008, the Swiss bank UBS announced that they had $37 billion worth of write-downs due to their holdings of the US mortgages. It's a very short period of time. It's ... I know it's just ... it's over a year, but there's the chairman saying ... so, it's very difficult to say ... because we're taking this in extract, I'm taking in extract, what I have found international commentators were commenting on the market. In hindsight, there is no doubt about it that some of the comments that are here are valid for not alone in Ireland but elsewhere.

**Deputy Joe Higgins:** In that regard, Mr. Quinlan, in regard to how it worked with developers and, you know, taking risks and speculation, in *The Irish Times* in 2004 there was a prominent article in relation to what was, in those circles, a rather famed deal that Quinlan Private organised, which was the sale of 11 acres which you purchased in 2000 for €32 million and sold, four years later, for €85 million, which was a speculative gain of €53 million and all that happened was you got planning permission for it. Do you think that that is morally in the interest of society, that that type of gain could be made on land speculation?

**Mr. Derek Quinlan:** Well, Deputy, I'm going to tell you something that you're not aware of in relation to that site. When we bought that site initially, our intention was to put a hospital out there and bringing in an international, US operator to build a hospital that would have student facilities; in other words for students in UCD or College of Surgeons could go there and I travelled to California to meet these people. And I said, "We want to build a new hospital with new facilities, big accident and emergency, everything there" and we spent a lot of time looking at this before we looked at any alternative. And what happened was that these people came here ... now, the investment in this hospital and for Ireland would have been huge, hundreds and hundreds of millions, to build a completely new, standalone student hospital that would teach students, the best accident and emergency and American facilities. And they arrived in Ireland and they went straight to the VHI and the VHI said, "Build the hospital first and then we'll see whether we'll give you accreditation." So that was our plan-----

**Chairman:** This is outside the terms of reference here, Mr. Quinlan-----

**Mr. Derek Quinlan:** Sorry, so I'm saying ... I'm answering the question, that the Deputy is not aware-----

**Chairman:** Okay.

**Mr. Derek Quinlan:** -----that our intention had nothing to do with what we ended up going for planning. We wanted to-----

**Deputy Joe Higgins:** Yes, it's interesting, but-----

**Chairman:** Let's get back to the questions of today now.

**Mr. Derek Quinlan:** Pardon?

**Chairman:** I need to get back on to the reason why you're-----

**Deputy Joe Higgins:** Yes I think Mr. Quinlan is happy to discuss this issue.

**Chairman:** Yes I am, but I need a report at the end of this work as well.

**Deputy Joe Higgins:** The point that arises, Mr. Quinlan, I'd be very interested in your view is that the 488 apartments that eventually got planning permission, that speculative gain for clients would have transferred, just the gain, into about €70,000 or €80,000 extra on young people purchasing that. Is ... do you see that as being socially just or not?

**Mr. Derek Quinlan:** Site values went up very significantly in Ireland over this period and we applied for planning permission and tax was paid in full on the gain. So we did nothing that was not correct. We ... our original------

**Deputy Joe Higgins:** No, I didn't suggest that.

**Chairman:** Deputy.

**Mr. Derek Quinlan:** Sorry.

**Deputy Joe Higgins:** I didn't suggest that, but do you accept that there's ... it's the land prices and the deals that were done at the time added hugely to the burden of young people trying to buy a home?

**Mr. Derek Quinlan:** It didn't just relate to the site in Stillorgan, land prices in general have gone up hugely. I mean, the Kenny report back in the '70s tried to do something about the price of land, or building land, and the recommendations were never followed to the best of my knowledge.

**Chairman:** Finally, Deputy.

**Mr. Derek Quinlan:** Sorry.

**Deputy Joe Higgins:** Finally, Mr. Quinlan, in your introduction to us in relation to the relationships between the property sector and the political world, you say that you gave £20,000 to the Tory Party in England, to four seats I think, four campaigns of £5,000 each to Tory candidates.

**Mr. Derek Quinlan:** No, no, no. I didn't say that. I said it was ... I didn't say that. I said we donated ... let me get my statement. There wasn't ... it wasn't to four candidates, Deputy.

**Deputy Joe Higgins:** Well then to four constituencies-----

**Chairman:** We need to get accurate ... we need to get it accurate, Deputy, if you put it out there.

**Deputy Joe Higgins:** Well, it's ... I'm ...

**Chairman:** 2.12 in the Mr. Quinlan's statement, it said that-----

**Deputy Joe Higgins:** "We made a contribution to the English Conservative Party for four seats at £5,000 each at a dinner with David Cameron."

**Mr. Derek Quinlan:** Yes, that's correct.

**Deputy Joe Higgins:** "We also made a [another] contribution." And then you say, Mr. Quinlan, that you would have taken seats, or Quinlan Private "would have taken seats at dinners and golf outings held by Fianna Fáil, Fine Gael and the PD's [Progressive Democrats]". What was the purpose of this financing of these political parties?

**Mr. Derek Quinlan:** Well, Deputy, what happened at the time was that somebody who we would have been friendly with would have rung, and this was typical across most of the political parties of the time and said, "We are having a golf outing." And this would be your friend, because I personally only knew one or two politicians at that time. And know them on a very casual basis. So I would say there was no politician a friend of mine. But these would be people who worked on a voluntary basis for Fine Gael or whoever and rang up and said, "We're having a golf outing we'd like you to put in a team." And that's the basis we did it. We didn't look for any political favours, good bad or indifferent.

**Chairman:** All right, thank you very much, Deputy Higgins. I do have to move on. I just want to come back to an earlier aspect there of Deputy Higgins's questioning in regard to the NAMA and its approach. Could I ask you, Mr. Quinlan, in the pre-crisis period did you or management colleagues believe at any point that a property bubble was in the making or were you generally relying on the soft landing theory?

**Mr. Derek Quinlan:** We believed in a soft landing theory, that's what we believed in. And we weren't alone in that. I mean, you know, if you look at the commentary from the ESRI at the time, that's what they were also saying.

**Chairman:** Okay. Did you commission any evidence or research that would support the soft landing theory and were you provided by any documentation or supporting evidence in that regard from any Irish agencies such as the Department of Finance or the Central Bank or anybody else?

**Mr. Derek Quinlan:** Not from the Department of Finance or anybody like that, Mr. Chairman, no.

**Chairman:** Where was the assumption of a soft landing coming from?

**Mr. Derek Quinlan:** This is what our belief was at the time. And as I say I can quote from the ... you know, the ERSI report in 2008, "The economy has the potential to grow at around 3.75% a year over the coming decade, despite significant short-term problems." I believed that we were going to have a soft landing. Obviously in hindsight we didn't have a soft landing, it was devastation.

**Chairman:** Right, thank you. Senator O'Keeffe.

**Senator Susan O'Keeffe:** Thank you, Chair. Mr. Quinlan, you explained to us at the start that you qualified as a chartered accountant and that your first property deal was in Tallaght. And then you moved in obviously-----

**Mr. Derek Quinlan:** I ... yes ...

**Senator Susan O'Keeffe:** I'm sorry ... you moved at some point then to handling private clients. And you talk about Quinlan Private clients on page 7 of your statement. And I'm just wondering, how did that emerge? Where did the private clients start to come from and what attracted you to that aspect of business, given that your first deal was, if you like, pure property?

**Mr. Derek Quinlan:** Well my ... I started off in 1989 having had eight years experience in private practice as a chartered account. So, I wasn't starting afresh and I started off with a small nucleus of clients. And it was very tough. And I decided at the time that we would offer our clients a different service. And what I mean by that is that no firm was building financial models to show clients where they could be giving them any kind of forecast, where they could be in five years time or three years time or whatever. And I believe we were the first people to do that. To actually say, "This is a forecast of where you're likely to be." And as a result of that we attracted, it was purely by word of mouth, more clients.

**Senator Susan O'Keeffe:** And as you say word of mouth, Mr. Quinlan, does that mean that you would approach people or that-----

**Mr. Derek Quinlan:** No.

**Senator Susan O'Keeffe:** ------the clients would approach-----

**Mr. Derek Quinlan:** The clients would-------

**Senator Susan O'Keeffe:** -----you through each other?

**Mr. Derek Quinlan:** One of the big conversations, as you might know Senator, out is about, you know, education and everything. Otherwise it's ... at particularly 1989 was, you know, what's happening in Ireland Inc? There were lots of good things out there and we were doing something that no other firm in Dublin was doing. Remember my competition in 1989 was Arthur Andersen, Pricewaterhouse it was then known, they were you know ... were the competition out there. And you know, I was on my own. I had one girl who used to work with me in the revenue in a very small practice.

**Senator Susan O'Keeffe:** And-----

**Mr. Derek Quinlan:** It was built from very, very small beginnings.

**Senator Susan O'Keeffe:** And did you see then, as you went through the '90s into 2000 and so on, could you see an increase in the number of your high net worth clients, were they growing all the time?

**Mr. Derek Quinlan:** Yes, they were growing.

**Senator Susan O'Keeffe:** And what did that tell you about the state of the economy and the business that you were in?

**Mr. Derek Quinlan:** Everybody at the time, as I say there was a fantastic feel ... we've forgotten the feel good factor. And I know you're ... you know, this is a very important inquiry but there was a tremendous feel good factor here in Ireland, people felt good to be Irish.

**Senator Susan O'Keeffe:** And as you were-----

**Mr. Derek Quinlan:** And-----

**Senator Susan O'Keeffe:** -----managing their financial affairs-----

**Mr. Derek Quinlan:** Yes.

**Senator Susan O'Keeffe:** -----were you just offering your expertise on the property side by now that had developed substantially or were you also offering other advices about financial matters?

**Mr. Derek Quinlan:** Well, in general financial matters yes, but not ... property was the one that we had the knowledge in and the expertise. So nobody ever asked me about what shares they should buy.

**Senator Susan O'Keeffe:** And as you say, part of what you were doing in 1989-1990 that was different was that you were forecasting where things would be and------

**Mr. Derek Quinlan:** For the client.

**Senator Susan O'Keeffe:** For the client.

**Mr. Derek Quinlan:** Based on the client's ... I mean, in very simple terms we used to build a model that would show the client their forecast of their income, what tax they would have to pay. Then you would put in what they had ... what they were living on and you might have come up with a surplus or a deficit. But you gave a client some kind of a forecast out, three or four or five years, that they could have something to go home and talk about.

**Senator Susan O'Keeffe:** And as you did that and as people came to you, and you could see that this was growing, did it become ... how did it turn then that you started to create, if you like, particular vehicles for particular projects? So there's project X over there, well I'll gather these five guys for that project. How did that all emerge?

**Mr. Derek Quinlan:** Well it was ... if ... I mean we started off, you know, when we went to The Square in Tallaght in 1990, it was a total accident. You know, this wasn't a great plan. I went to lunch, I won't mention his name, but somebody whom the committee would know very well in the world of finance, and he reminded me that my former partner was putting together a partnership, a very complicated structure to buy two or three shops up in The Square in Tallaght and he said to me, "You should do that as well." And I went out the door after a nice lunch and I went to the first auctioneer I knew and I knocked on his door and I said, "I want to buy some shops in The Square in Tallaght." I knew the ... I knew Tallaght from back in the '60s when I used to cycle up there and there was nothing on The Square, and I knew it when the Connors family were the main occupants up there in the '80s.

**Chairman:** You're giving colour now, Mr. Quinlan-----

**Mr. Derek Quinlan:** Sorry, I apologise.

**Chairman:** -----to Senator O'Keeffe.

**Mr. Derek Quinlan:** I apologise.

**Chairman:** So if we can stay on the evidence-----

**Mr. Derek Quinlan:** I apologise.

**Chairman:** -----if you don't mind, please. Okay. Thank you.

**Senator Susan O'Keeffe:** So you knew Tallaght, so you were encouraged to do that-----

**Mr. Derek Quinlan:** Yes.

**Senator Susan O'Keeffe:** -----but what about the urban renewal scheme in Tallaght? Was that-----

**Mr. Derek Quinlan:** That was ... yes.

**Senator Susan O'Keeffe:** Was that an attraction?

**Mr. Derek Quinlan:** Yes. That ... I mean, that ... the urban renewal scheme, I think, was brought in by the then Minister for Finance in 1987, and Tallaght, you know, has been transformed as a result of it. And the IFSC - I remember the IFSC when there was nothing down there.

**Senator Susan O'Keeffe:** So were you one of those people who believed in the urban renewal scheme, in the town renewal scheme, in the-----

**Mr. Derek Quinlan:** Yes, I did. I thought it was great. The purpose that the then Minister brought it in ... and it was supported by ... you know, when there was a change in government ... it was very, very good, I believed.

**Senator Susan O'Keeffe:** And did you, Mr. Quinlan, ever lobby to retain those schemes and those allowances?

**Mr. Derek Quinlan:** Absolutely, I have never lobbied any politician in my life.

**Senator Susan O'Keeffe:** Ever?

**Mr. Derek Quinlan:** Ever.

**Senator Susan O'Keeffe:** Okay.

**Mr. Derek Quinlan:** And that includes Mr. Cameron.

**Senator Susan O'Keeffe:** Okay. Is it fair to say that you became known as a man who was good at understanding those schemes and could ... and could, if you like, if you'll excuse the parlance, work your way around them?

**Mr. Derek Quinlan:** Well, there was no working the way around them. The law was there. The legislation was there to encourage people to invest in certain areas, these designated areas. So it was very straightforward, Senator.

**Senator Susan O'Keeffe:** Okay.

**Mr. Derek Quinlan:** There was no mystery about it, in other words.

**Senator Susan O'Keeffe:** Although I think people did argue and report that you were just particularly good at it or particularly quick at it.

**Mr. Derek Quinlan:** Maybe I was able to explain it, Senator, to the clients.

**Senator Susan O'Keeffe:** Okay. That's fair enough. Now, in the book *Breakfast with Anglo*, Simon Kelly's book, which I'm-----

**Mr. Derek Quinlan:** Yes.

**Senator Susan O'Keeffe:** -----you may be familiar with, and if you're not, that's fine but he talks about the idea of selling tax allowances. He said that they would be ... separate the property asset from its tax allowance and sell the tax allowance to high net worth individuals. Is this something that you were familiar with or is it something-----

**Mr. Derek Quinlan:** No, we bought the property and if the allowances came with the property ... we never split the thing.

**Senator Susan O'Keeffe:** Okay. Now, obviously, as your business progressed and grew - and we've seen the figures; it grew quite significantly - you obviously became more involved with more banks as time went by, I take it.

**Mr. Derek Quinlan:** Yes, that's correct.

**Senator Susan O'Keeffe:** So could you describe the sort of business case, the process and criteria that Irish banks applied and how, if they did change in that period of time, how did they change? Because we've heard evidence, obviously, of how some of their models changed over time.

**Mr. Derek Quinlan:** Well, I don't know the internal processes-----

**Senator Susan O'Keeffe:** I appreciate that.

**Mr. Derek Quinlan:** -----of the ... of the banks, and, you know, for the first nine years when I was in practise, we had no contact whatsoever with Anglo Irish Bank. They did come and ask us to do some business but I thought they were too expensive and we only dealt with two or three banks. So I have no idea what the ... the first transaction we did was with the Bank of Ireland but that was the ... with the assistance of a friend of mine who brought me into the Bank of Ireland and said "These people will finance The Square in Tallaght."

**Senator Susan O'Keeffe:** And did you see, at all, any change in the way banks behaved towards you? Now, I don't mean their internal processes, because clearly you couldn't say-----

**Mr. Derek Quinlan:** Well, I think, you know-----

**Senator Susan O'Keeffe:** -----but you were the client, if you like.

**Mr. Derek Quinlan:** -----the reality is when people ... when you become ... it's like if you're playing football and you suddenly have the touch of Ronaldo, who plays for Real Madrid, lots of people want to see him. I, you know, went from, you know, very, very modest earnings, Senator, and I'm not going to say it here in public, but you'd all be surprised ... I'm probably the only trainee who had started in Cooper's ... Cooper Brothers in 1970, who 20 years later was earning less money than I was in 1970, and I think that was a pretty unique position to be in.

**Senator Susan O'Keeffe:** But possibly not ... possibly not the case 20 years later or 15 years later, but anyway.

**Mr. Derek Quinlan:** Yes. No.

**Senator Susan O'Keeffe:** But my point is, did you see a change? Or how did the banks behave towards you now that you were, if you like, a player?

**Mr. Derek Quinlan:** Well, the reality is that, you know, not in the ... not so much in the 1990s but I would say in the years 2000s what happened was more banks wanted to deal with you, more international banks wanted to deal with you.

**Senator Susan O'Keeffe:** So they were coming to you.

**Mr. Derek Quinlan:** They were coming to me.

**Senator Susan O'Keeffe:** And what would they say, Mr. Quinlan? What were they ... how would they do that? Take you to lunch or-----

**Mr. Derek Quinlan:** "We want to do ... we want to do business with you."

**Senator Susan O'Keeffe:** Right.

**Mr. Derek Quinlan:** I, in general, refuse all corporate invites, in general. I'm making a generalised statement. But I got to know lots of very serious bankers.

**Senator Susan O'Keeffe:** And what would make you choose, if you like, one serious banker out of another? If all of us here are bankers, why would you choose one or two? What ... what ... what attracted you?

**Mr. Derek Quinlan:** Well, we made ... we ... you know, obviously sometimes, you want to spread your business around and it depends where your ... the location of where the property would be located. I mean, if you were buying a property in London, you may be better off getting the money from a local bank in London. Not always, but some of the time.

**Senator Susan O'Keeffe:** And how, given that they were obviously competing for your business-----

**Mr. Derek Quinlan:** Yes.

**Senator Susan O'Keeffe:** -----and you weren't taking all of the offers that were given, what sorts of deals, if you like, or terms were they offering in order to entice you? What would they say to you, apart from the lunch or the dinner, what were they really talking about?

**Mr. Derek Quinlan:** If I may, Chairman, just illustrate what I was not aware of that was happening in the middle '90s when we first got involved in the IFSC, and-----

**Senator Susan O'Keeffe:** Too long ago, Chair?

**Chairman:** No, we'll facilitate ... like, if ... if ... if ... if answers are drifting-----

**Mr. Derek Quinlan:** I want to-----

**Chairman:** I have to allow the ... the questioner, but I do need to return to questioning here at some stage or another.

**Mr. Derek Quinlan:** All right. I apologise.

**Senator Susan O'Keeffe:** That is the question.

**Chairman:** Mr. Quinlan, please.

**Mr. Derek Quinlan:** All right.

**Chairman:** Mr. Quinlan, you have the floor.

**Mr. Derek Quinlan:** The first transaction we did in the IFSC, which was George's Dock 2, it cost 19.2 million. We put up 7.6 million equity. So plenty of equity went in. And I was at a function at Christmas that year and I met this German banker who advised me that she had lent me the money for this building and I said "No. We borrowed from an Irish bank." And it was the first time I knew that the banks were selling the loans. So ... and I discovered that we were paying the Irish bank 1.5% but her bank were only charging 0.5%. So the Irish bank were pocketing the 1% at the ... and our clients were losing out on this.

**Senator Susan O'Keeffe:** So how did you work out how to make-----

**Chairman:** When did this happen, Mr. Quinlan? Can you just give us a timeline for this, please, if you don't mind?

**Mr. Derek Quinlan:** Okay. Sorry.

**Chairman:** When was the period of this?

**Mr. Derek Quinlan:** This was in 1996.

**Chairman:** Okay.

**Mr. Derek Quinlan:** I can go forward, Chairman. I apologise.

**Chairman:** Okay. Thank you.

**Mr. Derek Quinlan:** But I'm just saying, you know, we were not aware that that was happening at the time 20 years ago, or 19 years ago.

**Senator Susan O'Keeffe:** But, obviously, Mr. Quinlan, that kind of capability, I assume other sorts of arrangements that banks offered ... interest only, repayment free, rolling up the interest, I mean, how-----

**Mr. Derek Quinlan:** It totally depended on the asset, Senator.

**Senator Susan O'Keeffe:** Okay.

**Mr. Derek Quinlan:** But the German banks ... I started dealing with the German banks because they were prepared to finance at less than 1% margin.

**Senator Susan O'Keeffe:** Now-----

**Mr. Derek Quinlan:** So why pay an Irish bank 2.5% and let them pocket the 1.5%? I see the Deputies smiling there. And ... so I went directly to the German banks and I believe I was probably the first one here to do that.

**Senator Susan O'Keeffe:** The increased availability of access to cheap wholesale credit-----

**Mr. Derek Quinlan:** Yes.

**Senator Susan O'Keeffe:** -----has been identified as a cause of the explosion in borrowing.

**Mr. Derek Quinlan:** Yes.

**Senator Susan O'Keeffe:** What would you ... would you agree with that?

**Mr. Derek Quinlan:** Well, yes, I do agree with that statement.

**Senator Susan O'Keeffe:** And did it have an adverse effect, do you believe, or not on the degree of loan risk assessment carried out by banks in the years ... I'm talking here now of the 2000s, not the '90s?

**Mr. Derek Quinlan:** Yes. See, I don't know exactly how the individual banks, you know, processed a loan application or what their criteria were but, in general terms, Senator, once the loan was performing, the bank was happy.

**Senator Susan O'Keeffe:** Okay. But-----

**Mr. Derek Quinlan:** And performing means that the interest was being paid and that the loan-to-value covenants that you would have signed up to at the start were being maintained.

**Senator Susan O'Keeffe:** In the years 2002-2008 ... I think is when you said you retired, is that correct?

**Mr. Derek Quinlan:** 2009.

**Senator Susan O'Keeffe:** 2009, I beg your pardon. Did you observe any key differences in the way that loan applications were assessed by Irish banks?

**Mr. Derek Quinlan:** No, not really, except that the Irish banks were very keen to lend money.

**Senator Susan O'Keeffe:** Well, when you say very keen, I mean, did they show their keenness in a particular way?

**Mr. Derek Quinlan:** Well, hindsight is a great thing-----

**Senator Susan O'Keeffe:** Sure, but-----

**Mr. Derek Quinlan:** -----there's no doubt about it.

**Senator Susan O'Keeffe:** -----you can tell us what happened.

**Mr. Derek Quinlan:** Pardon?

**Senator Susan O'Keeffe:** You can tell us what-----

**Mr. Derek Quinlan:** You know, I mean-----

**Senator Susan O'Keeffe:** Yes.

**Mr. Derek Quinlan:** -----they clearly ... they were all very anxious to extend their client base, extend their lending.

**Senator Susan O'Keeffe:** But ... okay ... we understand that and we know that but what I'm asking you is whether or not you can indicate to us how ... how they did that?

**Mr. Derek Quinlan:** I ... I ... well, I could tell you a story.

**Senator Susan O'Keeffe:** Okay, if it's relevant.

**Mr. Derek Quinlan:** Sorry, Mr. Chairman. Well, it's relevant.

**Senator Susan O'Keeffe:** Thank you.

**Mr. Derek Quinlan:** I had ... I met a very senior banker from one of the banks - not from Anglo Irish Bank - in 2006. And he proudly told me that he spent the ... the previous Friday morning parked outside a particular bank in St. Stephen's Green, which was Anglo Irish Bank at the time, to watch who was coming in and out. And I was shocked that here's a very senior banker ... that he's, effectively, I thought, wasting his time sitting outside on a Friday morning watching who was coming in and out of the bank. And then he said he went back and he made a report that these were the people who he had recognised coming in and out of the bank. I'm only making the ... that was a surprise to me.

**Senator Susan O'Keeffe:** Financial institutions themselves got involved in buying property, didn't they?

**Mr. Derek Quinlan:** They did.

**Senator Susan O'Keeffe:** And how did that change the market that you were operating? You were buying and selling.

**Mr. Derek Quinlan:** Well, we had ... we were not buying ... we were not buying much property in Ireland after 2003.

**Senator Susan O'Keeffe:** Because?

**Mr. Derek Quinlan:** Because there were opportunities in different locations out of Ireland that we felt were very attractive.

**Senator Susan O'Keeffe:** But why would you stop? I mean, you could have done both, no?

**Mr. Derek Quinlan:** Well, you could have done both but we decided, like, we had built ... we bought out GE Capital, it was, you know, a world financial ... out of a partnership in 2002 ... in October 2002. And we had an immediate platform in ... in central and eastern Europe where we saw that, you know, commercial yields on very well located properties were showing yields of around 9% to 10%. This was unheard of in Ireland or England at the time and it looked like that was a good place to be. You know, you had the same tenants in Prague as you'd have in London or here.

**Senator Susan O'Keeffe:** But I take it that you still followed the market here and you still obviously had some interest here and some clients here?

**Mr. Derek Quinlan:** Oh yes, we'd clients here but we weren't very involved in the Irish market.

**Senator Susan O'Keeffe:** So do you .. do you have a view, or not, as to the impact that financial institutions buying properties might have had on the market?

**Mr. Derek Quinlan:** Well, clearly, you know, there was a huge Irish interest in ... in properties. And a lot of Irish people went to all sorts of places, you know, looked at ads ... there were ads in the papers every Sunday "Go and buy a flat in Bratislava", or some other place. And people follow that. And a number of the banks got involved in forming their own ... Allied Irish

Banks, as an example, they had very significant ... they put together very significant property investments on behalf of clients - not, as far as I'm aware, in Ireland, I'm thinking of a particular case where they put together hundreds of millions-----

**Senator Susan O'Keeffe:** That was a change from the way the banks-----

**Mr. Derek Quinlan:** That was, yes. The banks weren't doing that, yes.

**Senator Susan O'Keeffe:** So what ... why did they, do you think, why did they-----

**Mr. Derek Quinlan:** I think they probably looked at somebody like myself and said "Well if he's doing that, we can do it". Banks were interested in making a profit, Senator.

**Senator Susan O'Keeffe:** Yes, they were. In terms of the high-net-worth individuals in Quinlan Private, I mean, were they across the board in Ireland or did you also have ... did they have to be Irish to be your client or could they be from anywhere?

**Mr. Derek Quinlan:** No, we ... we had an office ... we opened an office in ... in London and in New York.

**Senator Susan O'Keeffe:** And did you have bankers and politicians in your-----

**Mr. Derek Quinlan:** I had Senator Joe Biden, who would be known to all of you, as the principal guest when we opened our office in New York in 2006. And I also had Eliot Spitzer who, after that, came to fame for other reasons. But they were the two principal guests.

**Senator Susan O'Keeffe:** But the private clients themselves, did they come from a range of backgrounds?

**Mr. Derek Quinlan:** In America, they ... most of the people that we were dealing with were very sophisticated investors. We're talking about people who were investing substantial sums of money, in excess of €10 million per head.

**Senator Susan O'Keeffe:** Could financial institutions be ... the ... the expression "cashing out", could they have been cashing out through buying properties?

**Mr. Derek Quinlan:** Well, I don't see how they were cashing out. They were, they were trying to build the ... the banks, and I'm making a generalised statement-----

**Senator Susan O'Keeffe:** Yes.

**Mr. Derek Quinlan:** -----you know, if they see it as an activity that it's worth getting into, they will do it. And what happened here is Allied Irish Banks, Bank of Ireland Private Banking, to give you two examples, Anglo Irish Bank, they all started buying property on behalf of clients.

**Senator Susan O'Keeffe:** In your statement, Mr. Quinlan, you refer to "Ireland Inc", I think, was the expression you used.

**Mr. Derek Quinlan:** Yes.

**Senator Susan O'Keeffe:** Yes. You were "a big believer in the idea of "Ireland Inc"."

**Mr. Derek Quinlan:** That's right.

**Senator Susan O'Keeffe:** How ... how do you believe your ... your business model and your business benefited Ireland Inc?

**Mr. Derek Quinlan:** Well the IFSC ... I'll go back to... I'm sorry, Mr. Chairman, to go back to the 1980s, but I remember the IFSC when Harry Crosbie's yard was the only activity on North Wall Quay. And, you know, it was ... nobody was going to go down there, nobody. And if we weren't there ... we were the biggest investor in the IFSC. It was the ... is, I believe, today still the biggest contributor to the Exchequer. And those properties, which were being built on a speculative basis by the then consortium that had the licence to buy down there ... we were their biggest clients and I was delighted to in ... have that money invested in Ireland. I loved Ireland, I was responsible for bringing the Four Seasons Hotel here, which transformed the hospitality business here - set new standards.

**Senator Susan O'Keeffe:** What contribution do you believe developers and people in the business ... what contribution did they make to the ... to the crisis that we had?

**Mr. Derek Quinlan:** Well, you just can't say it's ... this is my view and, as I say, I'm quoting ... you know, when I quoted Mr. Greenspan or the ... the chairman that came in, Mr. Bernanke who, as I say, had much better information systems ... when Mr. Bernanke said, "the sub-prime crisis is probably $100 million problem", he got it wrong. And he got it wrong based on very ... I've no idea the amount of people working in the Federal Reserve, Senator, but I'm certain that they've huge teams of researchers, analysts, etc. And they got it wrong.

**Senator Susan O'Keeffe:** Yes, but I ... I appreciate that they got it wrong. But, in an Irish context, given that you would have known a lot of the key players, I'm sure, at the time - if you didn't know them, you knew of them - you understand the idea of a developer ... the ... the ... property developers emerging as a group of people in the last 20 years. What contribution do you believe they played ... you played in the crisis that we ... that we are here discussing?

**Mr. Derek Quinlan:** Well I ... I ... to answer you, I would have said that the banks probably lent - and they definitely did because we have the benefit of hindsight - lent to some people who weren't experienced. I mean, the developers that ... a lot of the developers ... you know, this is going back to timing. What happened here, Senator, as you know, is that everything happened on one ... when I say one day. Liquidity went out of the market, confidence went. I mean, no matter what you're doing ... you're standing up in the Senate, if you're not confident about the topic you're talking about you ... it's confidence went out of the market, liquidity, the location was wrong. Ireland Inc. suddenly became a no man's land and values dropped. Nobody could have foreseen how values dropped but they dropped like a stone.

**Senator Susan O'Keeffe:** And ... and you said yourself you didn't foresee that.

**Mr. Derek Quinlan:** I didn't foresee that, no.

**Senator Susan O'Keeffe:** Is there anything that you regret, that you might have, if you like, contributed? In all the deals ... I'm not asking you about individual deal, but in all the deals that you did and all the business that you did, do you regret anything that you did that might have contributed?

**Mr. Derek Quinlan:** Well, I mean, I have a number of regrets. You know, I'm not living in Ireland, Senator. You know, some of my children live here. It's not by choice and, you know, I miss Ireland every day.

**Senator Susan O'Keeffe:** Finally, what impact do you believe that NAMA has had on the property market in Ireland? In the time, I know ... I appreciate that you're not active in the way that you were but I've no doubt that you've been following and would have ... well, perhaps you have an assessment of what impact NAMA has had for people like you?

**Mr. Derek Quinlan:** Well, I, Mr. Chairman, if I may address the Chairman, I have a commercial relationship with-----

**Chairman:** NAMA. Fair enough, and I-----

**Senator Susan O'Keeffe:** That's fine.

**Chairman:** And that is in your opening statement.

**Mr. Derek Quinlan:** Yes.

**Senator Susan O'Keeffe:** That's fine.

**Chairman:** Can I just return to ... it was a question there that Senator O'Keeffe raised with you ... and was covering that area with you, Mr. Quinlan, about describing the business case process and criteria that the Irish banks typically applied, if at all, to loan applications from Quinlan Private in the pre-crisis period. And I'm just looking at your property portfolio there during that period, and it says 13% in office space and 6% in retail, which is about 20% of the portfolio. To what regard did upward-only rents and upward-only rent contracts influence the banking model that you had with the banks?

**Mr. Derek Quinlan:** Well, upward ... Ireland and the UK are unique in having this concept of upward-only rent reviews. I mean, when I started in 1990, there were 35-year leases with no breaks and upward-only reviews. That is completely different on the Continent where the typical lease is three years. And obviously from the bank's perspective where you have a tenant tied in for 15 or 20 years, the prospect is a much better one because, if you look at what happens on the Continent, a tenant can move after three years; they've no obligation after three years to stay in a particular property. So it ... you ... it's a more difficult property to-----

**Chairman:** Not only no obligation but they can argue the rent after three years in a different way to an Irish tenant could argue the rent after three years.

**Mr. Derek Quinlan:** Oh, yes, that is correct. Yes.

**Chairman:** Okay. So would the model ... I just want to test this out. Developer A is going to develop a retail commercial office space unit, they go to the bank and say, "I have X amount of square metres or whatever, my rental ... the rental market is going to be X per square metre, and I'll fund my development costs through the rental income that will be based upon that. But not only will I be basing my rental income on year one, but, into the future, I'm assured that the rents can only go up." Was that an influencing factor in terms of how the banks would actually capitalise that development?

**Mr. Derek Quinlan:** Well, I believe it would have been an influencing factor; there's no question or doubt about it.

**Chairman:** So did upward-only rents and the particular uniqueness of them to Ireland and the UK, but particularly here in Ireland, were they a contributing factor to escalating the prices of property because the rents could only go up?

**Mr. Derek Quinlan:** In my belief, yes.

**Chairman:** Okay, thank you. Senator Marc MacSharry.

**Senator Marc MacSharry:** Thanks very much and thanks, Mr. Quinlan. And welcome and thanks for being here. You mentioned about living abroad at the moment. I know from your opening statement, you say that on the advice of KPMG that you moved from your home in Ireland so that you could maximise the returns to your creditors. Now, I know in April 2012 that the London court ... NAMA presented a note which read, "DG also explained that his residency in Switzerland provided comfort and protection to him from writs/summonses being served." Further, in an article-----

**Mr. Derek Quinlan:** Sorry, who said that?

**Senator Marc MacSharry:** Sorry, that was ... it's from the transcipt from the London court of 14 October 2010.

**Chairman:** Okay, we could be bumping outside of terms of reference now, Senator.

**Senator Marc MacSharry:** Can I put the question and then maybe you can-----

**Chairman:** Sometimes ... maybe the question is maybe ruled out before it can even be asked, particularly if the member or his staff have been engaging with legal and they have been forewarned about it beforehand. So I'd ask you to proceed very gingerly, Senator.

**Senator Marc MacSharry:** Absolutely. So, I'll just put the question and you can tell me then whether-----

**Chairman:** No, no ... I ... If you have been warned by legal that the question is already out of order, it's out of order right now.

**Senator Marc MacSharry:** Yes. I'm referring to a statement now, okay?

**Chairman:** Okay.

**Mr. Derek Quinlan:** Sorry, whose statement?

**Senator Marc MacSharry:** Yours.

**Chairman:** What statement and where?

**Mr. Derek Quinlan:** Yes.

**Senator Marc MacSharry:** On the first page of a statement-----

**Chairman:** Of Mr. Quinlan's statement.

**Mr. Derek Quinlan:** What statement?

**Chairman:** Your opening statement, please.

**Senator Marc MacSharry:** Your opening statement.

**Chairman:** Your opening statement, Mr. Quinlan.

**Mr. Derek Quinlan:** My opening statement here?

**Senator Marc MacSharry:** Yes. It says, "On advice KPMG I moved from my home in Ireland so I could maximise the returns to my creditor banks." So, in an article ... am I allowed quote from an article?

**Chairman:** If you ... The general advice I give to members is to speak to legal before they ask any questions of any witness, so if you've been speaking to legal in this regard-----

**Senator Marc MacSharry:** In the *Irish Independent* of May 2015 you also said, "On the advice of KPMG I moved to Switzerland so that I could maximise my debt repayment and reduce my tax leakage." So can I ask, what creditors would this maximise your repayment capacity to and what did you mean by "tax leakage"?

**Mr. Derek Quinlan:** I wanted to maximise the returns to my creditor banks.

**Senator Marc MacSharry:** And how----

**Mr. Derek Quinlan:** So the advice that I received from KPMG in May 2009 was very clear - that I should maximise the returns to my creditor banks and to achieve that, I would have to move out of Ireland. It was a very, very painful move. I was 61 years of age at the time with a young family.

**Senator Marc MacSharry:** I understand. Just for the benefit of people watching at home, why would moving to another country facilitate that?

**Mr. Derek Quinlan:** Because there would've been very substantial tax to be paid on gains and the advice was, you're better to maximise to the return to the creditor banks by not having a tax leakage. That was the advice I received.

**Senator Marc MacSharry:** You could minimise that by being-----

**Mr. Derek Quinlan:** Yes. I took that advice.

**Senator Marc MacSharry:** So, in your experience of the crisis, did many developers ... was this a done thing? Did developers go abroad to maximise the repayment potential?

**Mr. Derek Quinlan:** I can't speak for any other developer.

**Senator Marc MacSharry:** When one has a commercial relationship with NAMA, or they're with NAMA, are they prohibited from buying or selling property in Ireland?

**Mr. Derek Quinlan:** As I believe, yes. Not selling.

**Senator Marc MacSharry:** Okay.

**Mr. Derek Quinlan:** I've sold property recently.

**Senator Marc MacSharry:** Is it your view that all people who have commercial relationships with NAMA, in the interest of full recovery for the taxpayer, should pay everything they owe?

**Mr. Derek Quinlan:** Well, it depends. I can't give a generalised statement and, as I've already said to the Chair, I have a commercial relationship with NAMA and I think it's very unfair to ask me anything in relation to NAMA. I want to be-----

**Senator Marc MacSharry:** No, I can't ask about specifics, so I'm asking generally, just.

So I'm asking generally: do you feel that it's reasonable that NAMA, on behalf of the people, should expect to get full payment?

**Mr. Derek Quinlan:** It just depends on the circumstances.

**Senator Marc MacSharry:** So are there circumstances where they shouldn't?

**Mr. Derek Quinlan:** Well, it depends... I mean, what is full payment? The £100 that was owed? The £74 that was owed? Or the £32 that NAMA paid, I don't know.

**Senator Marc MacSharry:** Let's say a minimum of the £74.

**Chairman:** It's getting a bit leading, now, Senator. So, Mr. Quinlan I'll give you a bit of space here as to where you want to go with responding.

**Mr. Derek Quinlan:** No, I can't ... If I may ... You referred to my commercial relationship and I don't wish to discuss-----

**Chairman:** Okay, so if you'll move on Senator.

**Senator Marc MacSharry:** Your company put together syndicates to purchase property, isn't that correct?

**Mr. Derek Quinlan:** Yes.

**Senator Marc MacSharry:** So were the investors in this, were they sophisticated investors or were they people putting in pensions or savings or ... what kind of profile would-----

**Mr. Derek Quinlan:** The profile of the average investor would have been that they would have been sophisticated investors who knew what they were doing.

**Senator Marc MacSharry:** So where ... Would they have gone from people like me putting in life savings to pensioners to-----

**Mr. Derek Quinlan:** No, I don't believe we had any pensioners as clients.

**Senator Marc MacSharry:** Did property syndicates, in your view, contribute to the crisis?

**Mr. Derek Quinlan:** No, in my personal view, I don't think you can say property syndicates ... I think one of the main things, as I said to you, was what happened with sub-prime lending. If we were sitting here ten years ago, nobody would have heard the words "sub-prime lending". And this has had a huge impact. I'm giving you the example about UBS, a sophisticated international bank that ... one minute the chairman of the Federal Reserve is saying, "This is a $100 million problem", and the next thing we see UBS writing off billions, over $30 billion. Nobody knew the extent of that crisis. The whole world could have imploded in September 2008. The financial world was in a very bad state at that point in time.

**Senator Marc MacSharry:** Are you aware - I'm not talking about your own scenario - but would you be aware of any developers who, in co-operating with NAMA ... who are presiding over NAMA disposals which they were involved in, are retaining portions of that property or side deals or kickbacks for themselves?

**Mr. Derek Quinlan:** I am not in a position-----

**Chairman:** Mr. Quinlan ... Mr. Quinlan is still within the NAMA structure. The ... we were very, very clear about this ... in the difficulties that that creates for Mr. Quinlan in discussing any-----

**Senator Marc MacSharry:** But I'm not asking about Mr. Quinlan, I'm asking about-----

**Chairman:** Yes, and Mr. Quinlan isn't going to go into that area, I don't think.

**Senator Marc MacSharry:** That's grand. The ... the questions that I put have not been specific.

**Chairman:** Okay. No, I understand, Senator, that you have had a bit of discussion with legals before this and they've given you plenty of direction on a whole series of questions that you actually had.

**Senator Marc MacSharry:** Yes. Can I ask what impact, in the general sense, transfer of loans into NAMA has had on your business?

**Chairman:** I'll have to ask you to move on from NAMA because Mr. Quinlan is in NAMA and other developers will be coming in here who are actually out of NAMA and they'll be able to speak about that a bit more.

**Senator Marc MacSharry:** No, in fairness, Chairman ... Chairman, I think you might have to go into private session because the most recent-----

**Chairman:** No, I am not going into private session because-----

**Senator Marc MacSharry:** -----the most recent question-----

**Chairman:** -----if you actually look at the end of Mr.-----

**Senator Marc MacSharry:** With respect ... with respect, this is question No. 2 of the legal people's own questions. So, you know, one wonders what we're doing here today if we can't discuss NAMA. Mr. Quinlan has very kindly come along to assist us in our endeavours on behalf of the people. When legal's own questions themselves are now being ruled out, one can hardly be wondering why, you know, I can ask no question, when the most recent question that you are interpreting is one that was written for us. So, I sent 14 questions in yesterday, another six this morning, another six later this morning. None are acceptable and now, Chairman, your own questions aren't acceptable.

**Chairman:** I certainly have no difficulty-----

**Senator Marc MacSharry:** So maybe you need to go into private session to decide why we are taking up Mr. Quinlan's time at all today.

**Chairman:** I certainly have no difficulty-----

**Senator Marc MacSharry:** Because I do apologise for wasting your time if we can't even ask you questions pertinent to the area that we're supposed to be asking. When legal themselves have written ... if they'd like to just check on question No. 2, that you yourselves have provided.

**Chairman:** We can certainly-----

**Senator Marc MacSharry:** So I think we should go into private session. Maybe there might be a seconder for that around the-----

**Chairman:** I'll actually second that, Deputy, or ... Senator.

**Senator Marc MacSharry:** Good. Let's go.

**Chairman:** So what we'll do, if we can ... just not to take up any more time on this debate because we discussed this quite extensively before today's hearings. And if you can excuse us for a moment, Mr. Quinlan, and if I can clear the Gallery, I'll bring in legal on this and then we can see where we're going. So I suspend ... we'll suspend for a moment just to get this dealt with.

*The joint committee went into private session at 1.23 p.m. and resumed in public session at 1.34 p.m.*

**Chairman:** Please Senator, there's just about three minutes left on the clock. Senator.

**Senator Marc MacSharry:** Thanks very much, Chair, and thanks Mr. Quinlan, sorry for the interval. Can I ask: when sourcing finance for a particular deal, from let's say Anglo Irish Bank or Deutsche Bank or whatever bank, somebody is operating with a syndicate at high levels of finance, like your own company, for example, was the relation very personal, was it a case of lifting the phone, or did you fill out an application form? What way did you approach, for example, Anglo Irish Bank?

**Mr. Derek Quinlan:** Well, application forms were not part of the process and in relation to ... I mean, there was no special way of approaching, you know, there was no differential between approaching Deutsche Bank, as you mentioned, or Anglo Irish Bank or AIB, it was all approached in the same way. So, a business proposition would have been put together in relation to the property, the property having gone through, in our case, an investment committee process before we went to a bank.

**Senator Marc MacSharry:** Did you find that, as your reputation grew, with your clients and so on, were banks competing?

**Mr. Derek Quinlan:** Yes.

**Senator Marc MacSharry:** So, did this, with the benefit of hindsight, ever affect the underwriting quality, in your view, as banks approached you to wish to finance Quinlan Private's next deal?

**Mr. Derek Quinlan:** We were still operating under the fundamentals that we were assessing every opportunity very carefully. So we believed that the vast bulk of the property that we bought, particularly the bigger transactions, were all prime-----

**Senator Marc MacSharry:** Okay.

**Mr. Derek Quinlan:** So you would have a significant number of banks wanting to finance what they considered to be prime real estate.

**Senator Marc MacSharry:** Would you have ever have had funding requests declined by financial institutions?

**Mr. Derek Quinlan:** Yes.

**Senator Marc MacSharry:** At the height of activity, or-----

**Mr. Derek Quinlan:** Oh yes, and I remember in 2005 I was very surprised when ... I'd prefer not to mention the bank-----

**Senator Marc MacSharry:** Sure.

**Mr. Derek Quinlan:** But an Irish bank was involved in a transaction that we were involved in and we needed to refinance the debt. It was well secured and it was a big surprise to me that they didn't refinance it. And I would have been very friendly at the time with the chairman of the bank. And it was a big surprise. I never asked him, I never discussed business with him but I was very surprised that they did not want to continue with this loan.

**Senator Marc MacSharry:** And was that down to the asset quality, or-----

**Mr. Derek Quinlan:** To this day, I don't know and the asset quality was the best.

**Senator Marc MacSharry:** So it's a mystery.

**Mr. Derek Quinlan:** It's a mystery. And that is one of the few times that I can remember that there was a problem.

**Chairman:** Thank you very much. Next questioner is Senator Michael D'Arcy.

**Senator Michael D'Arcy:** Thank you Chair. Mr. Quinlan, you're welcome. You used the term "sophisticated investors who [know] what they're doing" for the people who invest in your company. Could you outline the impacts for people who have invested in your company for ... in terms of ... if you don't want to use it primarily in your own company, but in general companies of your type, in terms of how the recession has impacted upon them and their investment?

**Mr. Derek Quinlan:** Well, everybody obviously have had a different experience since 2008, so I can't be ... give you a generalised answer to that. Obviously people have suffered losses and I very much regret anybody who has suffered a loss.

**Senator Michael D'Arcy:** You made the point, and you spoke about Mr. Greenspan and Mr. Bernanke and the losses in the sub-prime. Now the Irish banks were not exposed to the sub-prime-----

**Mr. Derek Quinlan:** But they were exposed to the----

**Senator Michael D'Arcy:** The liquidity.

**Mr. Derek Quinlan:** The consequences, the liquidity, because liquidity dried up. I remember, in August 2007, when BNP bank was the first sign in Europe. They couldn't pay on a bond, and the liquidity dried up here, only for a temporary period, but it did dry up, had a huge impact.

**Senator Michael D'Arcy:** The liquidity crisis was a liquidity issue but some argued that the issue in Ireland was that the standard of the loan books was the issue and it was on that basis liquidity was not being provided.

**Mr. Derek Quinlan:** I can't comment on the quality. I don't know what the quality of the loan books was.

**Senator Michael D'Arcy:** Were you aware of the market sentiment towards Irish banks prior to 2008?

**Mr. Derek Quinlan:** I was aware that the Irish bank shares but it was no different than ... and I can give you a comparison, if you want to have it now. Irish bank shares were falling, as were other international banks and, in fact, I did a comparison for the committee on Barclays Bank.

**Senator Michael D'Arcy:** Did you hear the contrarian views in the Irish media or other sources in relation to the Irish banking sector prior to 2008?

**Mr. Derek Quinlan:** No, I wouldn't have been that guided by what was happening in the media.

**Senator Michael D'Arcy:** Should you have been?

**Mr. Derek Quinlan:** As I say, we ... I would have ... wasn't necessarily being guided by the media.

**Senator Michael D'Arcy:** Did you hear of David McWilliams?

**Mr. Derek Quinlan:** Yes, I did.

**Senator Michael D'Arcy:** Morgan Kelly?

**Mr. Derek Quinlan:** Yes.

**Senator Michael D'Arcy:** George Lee?

**Mr. Derek Quinlan:** Yes.

**Senator Michael D'Arcy:** And you didn't take-----

**Mr. Derek Quinlan:** Well, I want to ... maybe you're not aware of this but Warren Buffett is considered internationally to be a global investor of repute and, in 2008, which you may not be aware of, Mr. Buffett put €244 million into two Irish banks. Now, that's a fact that the committee may not be aware of and in his 2000 ... and I want to quote from it now, if you don't mind, and he is the most astute investor without ... recognised to be. And I want to quote what Mr. Buffett said about Ireland and banks. Pardon?

**Chairman:** As to Mr. Buffett, I can give a little story about him. He was asked once what was the fastest way to become a billionaire and he says, "Buy an airline." Actually, it was the fastest way to become to a millionaire, he says "Start out as a billionaire and buy an airline, you'll be a millionaire overnight." So, once it's not adding to the colour that I'm adding to here, Mr. Quinlan, we'll fit you back in but I do need to, kind of, move on with the questioning line as well ... so.

**Mr. Derek Quinlan:** All right, but I only wanted to highlight that it's probably not a well-known fact here that he invested that amount of money in Ireland in 2008 and he believed the Irish banks were a very good investment. And he lost practically all his money and he apologised in his 2009 annual report and he referred to it in tennis parlance as an "unforced error".

**Senator Michael D'Arcy:** Mr. Quinlan, if I could, ask you ... you said earlier that Anglo was expensive.

**Mr. Derek Quinlan:** Yes, in ... I'm referring to when the first approach I'd had from Anglo was in 1994 and two representatives of the bank came to see me and said, "We would like to do business with you", and when I found out what they were charging, I said, "No, thank you."

**Senator Michael D'Arcy:** And you said that from your period of initial work when you left college ... from ... until about 1990, you were on a similar salary?

**Mr. Derek Quinlan:** Pardon. No, I didn't say that.

**Senator Michael D'Arcy:** Sorry.

**Mr. Derek Quinlan:** I said I was the only-----

**Senator Michael D'Arcy:** Sorry.

**Mr. Derek Quinlan:** -----only pupil, I believe, only accountancy pupil trainee from 90 in the class of 1970 in Cooper Brothers who was earning less money 20 years later.

**Senator Michael D'Arcy:** Would you describe that as your frugal period?

**Mr. Derek Quinlan:** Well, you may describe it any way you like.

**Senator Michael D'Arcy:** But can I ... I'm not trying to be funny but why did you go to Anglo? Why did you become one of their major clients when they were expensive?

**Mr. Derek Quinlan:** Well, they changed their margins. Their ... back in the early 90s, they were looking for margins over the cost of funds of around 3.5%.

**Senator Michael D'Arcy:** And subsequent to that then, they were competitive with the other-----

**Mr. Derek Quinlan:** They reduced their margins, yes, and I first dealt with ... we were dealing with our ... I went to Allied Irish Banks, I remember it well, in 1998 because, Mr. Chairman, at that point in time The Four Seasons Hotel Group had said that they were coming to Ireland and I had put together the partnership to acquire the property. And, suddenly, the then syndicate of banks decided that they didn't want to finance it. That was before the thing started.

**Senator Michael D'Arcy:** I can just revert back to your clients of Quinlan Private. What is the structure? Is there a charging structure to become a client or do they invest in particular products?

**Mr. Derek Quinlan:** It would be typical of what you would experience in any other accountancy practice. People were charged on the basis of time spent on their affairs.

**Senator Michael D'Arcy:** Okay. And in terms of their investment, was their investment at risk?

**Mr. Derek Quinlan:** Every investment that you make, there are risks, but I can't say any particular investment was at risk.

**Senator Michael D'Arcy:** Were there investments where there was no risk available?

**Mr. Derek Quinlan:** I don't think there's anything. I would have said, in hindsight, that the IFSC was a very safe place ... you had ... our initial scenario there was we had the likes of Deutsche Bank as a tenant and the property being bought in 1996 for around €24 million fell in value to €15 million by 2010, 14 years later. I don't think that anybody would have foreseen that.

**Senator Michael D'Arcy:** In terms of your staff or the number of staff who participated with you in business, as your numbers ... as your loan book increased, did your staff numbers increase?

**Mr. Derek Quinlan:** Yes.

**Senator Michael D'Arcy:** And did you employ more staff in terms of ... to assess the risk that was potentially available with the large-----

**Mr. Derek Quinlan:** We believed we hired the best available professionals.

**Senator Michael D'Arcy:** And no-one saw what was coming?

**Mr. Derek Quinlan:** Nobody saw what was coming.

**Senator Michael D'Arcy:** Nobody at all?

**Mr. Derek Quinlan:** Well, sorry, you can look back and say certain commentators forecast what was happening in the Irish residential market, that things were very overheated but we weren't in the Irish residential market.

**Senator Michael D'Arcy:** You were in the commercial real estate market?

**Mr. Derek Quinlan:** Yes. It's a totally different market.

**Senator Michael D'Arcy:** And that was the market that Dan McLaughlin, who in evidence to this committee, said was the sector that crashed ... the Irish banking sector.

**Mr. Derek Quinlan:** Well, I can't comment on what Mr. McLaughlin said.

**Senator Michael D'Arcy:** Do you have a view in relation to what he said?

**Mr. Derek Quinlan:** What ... can you say that to me again, please?

**Senator Michael D'Arcy:** He said, "We spoke about the Anglo Irish Bank, that Anglo Irish Bank and the evidence that I presented to him was 82% commercial real estate bank, 1% residential and 17% corporate, much of which was attached to the commercial real estate sector-----

**Chairman:** There's a phone there going off. Wherever they are, they're coming off that microphone there, please. If you turn them off. Sorry.

**Senator Michael D'Arcy:** -----commercial real estate sector and that Anglo Irish Bank was a monoline commercial real estate bank." And that it was that bank, according to Mr. McLaughlin, in his view, that cost the Irish taxpayer most money. Do you have any view on that?

**Mr. Derek Quinlan:** Well, in hindsight, obviously the write-offs were of a size that nobody would have anticipated.

**Senator Michael D'Arcy:** With the benefit of hindsight, Mr. Quinlan, you now live in Switzerland. You sound that you're ... regret not living in Ireland. With the benefit of hindsight, do you regret the hubris of the Irish construction sector?

**Mr. Derek Quinlan:** Pardon?

**Senator Michael D'Arcy:** Do you regret the hubris of the Irish construction sector?

**Mr. Derek Quinlan:** Well, I wasn't involved, as I said to you, in residential development in Ireland.

**Senator Michael D'Arcy:** In real estate, you were involved?

**Mr. Derek Quinlan:** We were involved in commercial real estate. Correct.

**Senator Michael D'Arcy:** The sector that, according to Dan McLaughlin, crashed the banking sector in Ireland.

**Chairman:** That is leading now, Senator.

**Senator Michael D'Arcy:** I'm not. Mr. McLaughlin made that point, Chairman.

**Chairman:** Okay. All right.

**Senator Michael D'Arcy:** Do you regret the hubris of the Irish construction sector?

**Mr. Derek Quinlan:** Well, like, I'm not hear to answer on behalf of the Irish construction sector.

**Senator Michael D'Arcy:** In terms of your role in the Irish development sector?

**Mr. Derek Quinlan:** Like, what we invested in here, I believe was prime real estate.

**Senator Michael D'Arcy:** And was it?

**Mr. Derek Quinlan:** Yes. The IFSC was a glowing example, in my view, of prime real estate and as I said to you earlier ... as I said today, it's a huge contributor to the Irish economy.

**Senator Michael D'Arcy:** How would you describe-----

**Chairman:** Wrap up there, Senator.

**Senator Michael D'Arcy:** Just to wrap up. How would you describe the Glass Bottle site?

**Mr. Derek Quinlan:** A disaster.

**Senator Michael D'Arcy:** Not prime?

**Mr. Derek Quinlan:** Not prime.

**Chairman:** Thank you very much, Mr. Quinlan. Deputy John Paul Phelan.

**Deputy John Paul Phelan:** Thank you, Chairman. Good afternoon, Mr. Quinlan. I just want to ask you, actually, at first, you made reference earlier on to sub-prime and you said it didn't exist in Ireland. It was a very marginal thing in Ireland but, I mean, there was some sub-prime lending into commercial ... residential property, in particular, in the Irish economy. A number of institutions with a loan value of less than 2% of the overall figure. I won't name them, but I think it was peripheral but I don't think you were deliberately trying to state something that was untrue. Can I ask you, in relation to your opening statement, you said that you only had a "high level overview" to quote directly, of Quinlan Private's interaction with financial institutions. How, seeing as you were the executive chairman, did you only have a high level-----

**Mr. Derek Quinlan:** Because we had a very substantial team of highly qualified, highly professional people who dealt with the banks. And I had full confidence in the team. We had a very experienced CFO who we had recruited from the UK and it was a ... we had a wonderful team.

**Deputy John Paul Phelan:** In an interview that you gave to the *Financial Times* in 2005, you stated, ‘’I am able to explain to people as to why you should do this or that.’’ Basically, I suppose what I am asking is how can you explain deals to clients as you outlined in that interview if you don’t have more than just a high-level overview of how those deals were being financed?

**Mr. Derek Quinlan:** No, no, no. This ... it’s not just a question of the finance for the transactions, it’s the rationale why you would make a particular investment. It’s the ... finances is another piece. But why would you buy a particular property as against buying another property? That’s what I was explaining.

**Deputy John Paul Phelan:** As a former tax adviser and inspector with the Revenue Commissioners, do you have a view as to how different Governments used tax reliefs during the boom period and in the lead-up to the boom?

**Mr. Derek Quinlan:** Well, as I said to you ... you know, the legislation was brought in initially. I mean, we have had tax reliefs in Ireland for a very long period of time. Remember farmers paid no tax up to 19... up to the middle 1970s which was, you know, you can have your own views on that. And I believe that the tax reliefs that were introduced I think in the 1987 budget did a huge amount for Ireland. The IFSC would not be there today, in my opinion, nobody would have moved north of the Liffey without the tax reliefs.

**Deputy John Paul Phelan:** You said that you hadn’t lobbied politicians on the issue.

**Mr. Derek Quinlan:** That’s correct.

**Deputy John Paul Phelan:** Had you ever spoken to any people from the Department of Finance or indeed any other civil servants?

**Mr. Derek Quinlan:** I knew nobody in the Department of Finance.

**Deputy John Paul Phelan:** Okay, in August 2008, you wrote in *The Irish Times* that people must remain confident in Ireland-----

**Mr. Derek Quinlan:** Yes-----

**Deputy John Paul Phelan:** -----and to quote you directly you said, ‘’The bears see no way out for Ireland. I do.’’ Why then, did you leave Ireland the following year?

**Mr. Derek Quinlan:** Sorry, I believe that had the case and I’ve already explained, it was on advice from KPMG received in May 2009 to maximise the returns to my creditor banks.

**Deputy John Paul Phelan:** Can I ask then, in relation to ... you have referred to it a couple of times in your earlier answers, the feel-good factor that existed in Ireland around the time of the boom. At what juncture, if at all, did you realise that there was a bubble emerging in commercial property in your case, in the Irish economy?

**Mr. Derek Quinlan:** Well, most of the commercial property that we had bought was actually bought in the middle '90s. So as I say, I gave you the example of George's Dock 2, which we paid €24 million for in November 1996. Nobody would have believed that that was only going to be worth €15 million. I had the same tenants in there in 2010. That's what happened and we are unique in Ireland, unfortunately, the drop in prices here is, you know ... was unprecedented anywhere else that I am aware of in Europe.

**Deputy John Paul Phelan:** In hindsight, do you believe that the feel-good factor that you referred to was, well it might have been real at the time but you know, was it a mirage? Was it something that was built on something that was unsustainable?

**Mr. Derek Quinlan:** Like, I can quote and I have the quotes here to reply to what the feeling was in 2006 and I can quote from any of the banks. I have all the chairmen's statements here. I can give-----

**Deputy John Paul Phelan:** I'm talking about your own view.

**Mr. Derek Quinlan:** I believed that things were ... there was no ... in 2006, I didn't see any problems on the horizon-----

**Deputy John Paul Phelan:** Okay-----

**Mr. Derek Quinlan:** -----and I was not alone in that.

**Deputy John Paul Phelan:** Following the Lehmans, I think you-----

**Mr. Derek Quinlan:** Yes,

**Deputy John Paul Phelan:** -----referenced Lehmans earlier on-----

**Mr. Derek Quinlan:** Yes.

**Deputy John Paul Phelan:** -----did you take steps as executive chairman of QP to protect your clients?

**Mr. Derek Quinlan:** Well, following Lehmans, the banking system here collapsed and Bank of Ireland, sorry, the share price in Bank of Ireland in the beginning of September 2008, Mr. Chairman was six, approximately €6 and by Christmas it was 10 cent. Nobody would have forecast that. And so the banks here seized up and if the banks seize up, there's no ... there's no business.

**Deputy John Paul Phelan:** Can I ask you, in relation to an article that appeared in the *Sunday Independent* in September 2014, you needn't comment on it if you don't wish to but a source was quoted and I just want to reference it correctly, a source close to Quinlan as saying:

> Anger is no strategy and we simply must get the likes of Derek Quinlan back to work ... Mistakes have been made but big lessons have been learned".

Again, from your own remembrance of what happened, what lessons do you believe that you have learned from what happened?

**Mr. Derek Quinlan:** From ... I have learned a lot of lessons.

**Deputy John Paul Phelan:** Can you briefly summarise, because-----

**Mr. Derek Quinlan:** I think the best lesson I've learned is who are your real friends, Mr. Chairman.

**Deputy John Paul Phelan:** I finally, I want to try to ... I have a question. It's a general NAMA question, not a specific one and I know I don't want to get into your own details but the banks valued loans on an amortised basis as they were originators of the loans and NAMA, on the acquisition of the loans, valued them on a fair or true market value basis. As a result, the aggregate loans came to be valued at €31.8 billion by NAMA in contrast to €74 billion value estimated by the banks. From your perspective, do you regard the valuation methodology applied in the pre-crisis period as having been sufficiently robust and representative?

**Mr. Derek Quinlan:** Well, I can only speak from our own experience. We dealt with international valuers: CBRE, Jones Lang LaSalle, DTZ, to mention a few. And these are firms who have ... still have a high reputation and if they ... if we relied on their valuations.

**Deputy John Paul Phelan:** Do you believe that the valuation process influenced-----

**Mr. Derek Quinlan:** I can't ... I can't ... I don't know the answer to that question.

**Deputy John Paul Phelan:** Okay, thank you.

**Chairman:** Thank you very much. I'm going to start moving to wrap things up Mr. Quinlan and I'll be inviting Deputy Higgins and Senator O'Keeffe back in a moment. But if I can just deal with a couple of matters there first. One is the ... and I want to ... concentrating on the business model in general terms. The Central Bank in the assessment of the valuation processes that were carried out, commented that ''Credit institutions were often negligent and imprudent in the manner in which they requested property valuations." And they then went on to say "There was often a lack of specificity attaching to requests for valuations or inadequate or inappropriate assumptions provided." In your own experience and having been a very, very significant person in the construction-development industry in this country, could you maybe comment or give us your insight and I'm not looking for the specific institutions, I'm looking at the operation of the business model? Did you ever encounter that the valuation processes had weaknesses as identified there by the Central Bank or, if so, how widespread or otherwise was that practice in your experience?

**Mr. Derek Quinlan:** May I ask you one question, please, Mr. Chairman?

**Chairman:** Sure.

**Mr. Derek Quinlan:** What date is that report from? Is that with a value of view of hindsight?

**Chairman:** The-----

**Mr. Derek Quinlan:** Or was it current?

**Chairman:** I don't think I ... I'll press the question with you, I don't think it's actually relevant as to the date of the report. The report would refer to the model in which the ... but I can put it up for you for a second. The report is actually 2011 but it is looking at what was called ... we can engage with euphoric recollection of what actually happened between 2000 and 2008 but the purpose of this committee is to find information for the future as well, Mr. Quinlan.

**Mr. Derek Quinlan:** Yes, I understand.

**Chairman:** And you have been possibly the biggest developer in this country during what would now be called the crisis years. So that's why I'm putting that question to you. So if ... we can get pedantic about the dates, if you wish, but what I'm asking you very specifically is, did you encounter that valuation ... those valuation weaknesses, as identified by the Central Bank, and, if so, how widespread or otherwise was the practice in your experience?

**Mr. Derek Quinlan:** Well, if I could endeavour to answer to the best of my ability, when the banks - in this period that we're talking about up to 2008 - advanced a loan, generally, as I say, they had two criterion: one was a loan-to-value test. So the bank would have had independent ... would have had, generally, an independent view of the property that was being acquired. They got somebody independently to value it. And they put in what they would call a loan-to-value test. Not in every loan agreement but in most of them. And, let us say, it was 70% ... just call it a 70% loan-to-value. If the value of the property fell, the bank would have been on to say, "You need to put some more money in here because the loan-to-value test has been broken."

**Chairman:** And as the equity was growing in the property portfolio and the loan-to-value requirements were being met, was the equity in existing properties being offset then to meet the loan-to-value requirements, so there was actually no cash deposit or cash transaction?

**Mr. Derek Quinlan:** I would say in certain instances, yes.

**Chairman:** Okay. All right. And did you observe any differences between the Irish banks and non-Irish banks which you engaged with in the level of rigour applied to valuation requirements?

**Mr. Derek Quinlan:** I didn't see any difference, from my experience of dealing with the banks.

**Chairman:** And in regard to the model that I was just speaking about earlier - we're in a property market with a high level of inflation operating in it where development A's equity would then become the deposit base for the next development and that would meet the loan-to-value requirements - was that operating outside of the Irish jurisdiction?

**Mr. Derek Quinlan:** Yes.

**Chairman:** In what other jurisdictions would you have seen that model in operation?

**Mr. Derek Quinlan:** Well, that was certainly operating in the UK.

**Chairman:** In the UK, which had upward-only rent reviews as well by the way.

**Mr. Derek Quinlan:** Yes, correct.

**Chairman:** But in any other jurisdiction where there wasn't upward-only rent reviews?

**Mr. Derek Quinlan:** Not ... no, not ... certainly not in Germany, Mr. Chairman.

**Chairman:** What was the requirement in Germany?

**Mr. Derek Quinlan:** In Germany ... the German banks operated in ... they gave you the cheapest money but they had very strict terms in terms of loan-to-value or interest cover.

**Chairman:** Did Germany have a property crash any way similar to what happened in Ireland?

**Mr. Derek Quinlan:** Nothing like ... nothing ... nobody ... nobody, unfortunately ... I mean, what's happened in Ireland has been devastating.

**Chairman:** Yes. Was the Irish property crash a domestic creation or was it, on balance, an international phenomenon?

**Mr. Derek Quinlan:** I believe the sub-prime was a huge factor in it.

**Chairman:** Okay. Is it ... are you saying, on balance, that it was an international calamity or that it was home grown?

**Mr. Derek Quinlan:** That was an American phenomenon really.

**Chairman:** Okay. All right. Moving on. The other two matters I want to deal with you is that evidence has been provided to this inquiry to the effect that a discount of 5.2% was applied to the long-term value of properties to provide for due diligence, 0.25%, and enforcement costs of 5%, making up the total of the 5.25% of enforcement costs incurred or likely to be incurred by NAMA. In your dealings with the Irish banks, how would you rate the extent to which the banks sought robust legal documentation? And was reliance on solicitors' undertakings commonplace or rare in your experience?

**Mr. Derek Quinlan:** I would have thought that all the Irish banks, you know, use lawyers very, very extensively. In hindsight, I think that when ... that some of the loans were not as secured as the banks thought they were.

**Chairman:** Can I also ask you to comment in general terms on whether you ever managed to negotiate a lowering of a bank's lending criteria and, if so, can you describe the general processes and a typical favourable outcome, without getting into any particular institution?

**Mr. Derek Quinlan:** No, I personally was not ... yes.

**Chairman:** Okay. On the general taxation issue, Mr. Quinlan, is the property market entirely free and neutral given that when tax interventions take place, they do have an impact in the market in one capacity or another?

**Mr. Derek Quinlan:** The tax incentives definitely had, in my view, a positive impact in terms of the urban renewal, which was the whole purpose of the tax incentives.

**Chairman:** And in that regard so, do interventions through tax measures have potential to favour one side of the market over the other? For example, investors-speculators-developers versus home buyers and retailers who want to rent shops?

**Mr. Derek Quinlan:** Well, home buyers and retailers fall into a totally different ... and we ... remember incentives ... that the urban renewal incentives were severely restricted in Mr. McCreevy's budget of 1997.

**Chairman:** During the terms of reference of this period, which is mainly the 2000s, from your experience were the proportion of tax reliefs out there that were available through various budgets, were they a great more ... was there more on ... was there more of an offer of tax breaks for people who were developers and builders, constructors, than home owners?

**Mr. Derek Quinlan:** We never availed of any investment in property with tax breaks in this period.

**Chairman:** But given your familiarity with the market, there were tax breaks out there and you would have been familiar with them?

**Mr. Derek Quinlan:** There were and they were to encourage investment in certain parts of the country, as far as I'm aware.

**Chairman:** Okay.

**Mr. Derek Quinlan:** But I didn't ... we didn't-----

**Chairman:** So you weren't a beneficiary of any of the tax breaks?

**Mr. Derek Quinlan:** Absolutely not.

**Chairman:** Okay, thank you. Deputy Higgins.

**Deputy Joe Higgins:** Mr. Quinlan, I have three brief questions. In your dealings with the banks did you notice growing competition between them for business with you? And was growing market share, in your view, a dominant issue within the lending institutions?

**Mr. Derek Quinlan:** I think ... not alone with me, Deputy, but I think that the banks, their loan books increased very significantly in the period we're talking about. And the banks were, as I gave you the story of the executive who parked outside a particular bank on St. Stephen's Green on a Friday, he was there ... he was very proud to tell me he was there to see who was coming in and out of Anglo Irish Bank.

**Deputy Joe Higgins:** So it was intense competition?

**Mr. Derek Quinlan:** I think there is no doubt about that, yes.

**Deputy Joe Higgins:** Okay. Secondly, Mr. Quinlan, a narrative of some witnesses to the inquiry is that the excessive lending by banks to fund property speculation and dealing created a massive bubble which crashed, that the Irish people were saddled consequently with €64 billion of a burden to bail out the failed banks and developers. Now, the inquiry has no legal powers to ask you in relation to detailed dealings with NAMA but have you reflected on what Quinlan Private may have cost the taxpayer? Do you take responsibility for that? And what do you say to the Irish people who have suffered considerable austerity and suffering as a result of this crash?

**Mr. Derek Quinlan:** I am very saddened by what has happened, Deputy. Very saddened. But I, too, have lost a substantial amount of money. I'm very saddened for those who have been saddled with negative equity. But, as I explained earlier, we were not in the residential market.

**Deputy Joe Higgins:** Finally, Mr. Quinlan, in the development of, I think, what everybody or most people agree was a bubble, did the media play a role in encouraging that, do you ... in your view? And in ... as you know, Independent Newspapers sponsored annual property awards which they gave out at glittering gala evenings. In 2007 you were awarded the Irish investor of the year, you were awarded the Irish property personality of the year, and the Irish property deal of the year was the Irish Glass Bottle site. Are you proud or embarrassed of that range of awards?

**Mr. Derek Quinlan:** The ... I wasn't involved in the selection of the awards, Deputy. And, in hindsight, clearly, as I've said earlier, the Irish Glass Bottle site was a disaster.

**Deputy Joe Higgins:** And the media role?

**Mr. Derek Quinlan:** Pardon?

**Deputy Joe Higgins:** Was the media ... play a role in the development of the bubble, do you think?

**Mr. Derek Quinlan:** Probably.

**Chairman:** Okay. Just your earlier comments there, maybe just to kind of to round off Deputy Higgins's question, you said there was a massive feel-good factor back at the time, almost euphoric, I suppose, is the way some people might describe it in lots of ways. Was the media participating in a situation where it was adding to that feel-good?

**Mr. Derek Quinlan:** Well, remember that the press in particular were very dependent on the Wednesday-Thursday-Friday advertising from the property market. This is a ... was a big source of revenue for the newspaper industry. So, they made ... they were very happy to have a buoyant market which meant plenty of advertising.

**Chairman:** Was that a significant part of your business model, Mr. Quinlan, that you would sit down with your executives and your management team and say, "We need to put aside a certain proportion of our budget here to be advertising?"

**Mr. Derek Quinlan:** Absolutely. We didn't advertise at all.

**Chairman:** Okay, right. Senator O'Keeffe.

**Senator Susan O'Keeffe:** Thank you, Chair. Three short questions, Mr. Quinlan, thank you. It was reported at the time that you were looking to buy INBS, I think in conjunction with RBS, that's anyway how it was reported.

**Mr. Derek Quinlan:** That is correct.

**Senator Susan O'Keeffe:** And what happened?

**Mr. Derek Quinlan:** It wasn't the ... it wasn't possible to deal ... Goldman Sachs were advising the Nationwide and it was an impossible situation.

**Senator Susan O'Keeffe:** Because?

**Mr. Derek Quinlan:** Because the ... at the time, from memory, and this is now, remember, I think in 2006 or 2007, the whole thing ... it was a floating morass and I decided that this was not one for us.

**Senator Susan O'Keeffe:** Okay. You obviously dealt a lot, as we've discussed, with high net-worth individuals. And I suppose, maybe, is it fair to say I think you were reported as having bought a property for your own use in 2006 for €25 million-----

**Chairman:** -----now Senator.

**Senator Susan O'Keeffe:** No, I'm just asking. It was reported and Mr. Quinlan doesn't have to comment if he doesn't want to. You know, was that, were you able to do that because of the success you'd had? And is that correct actually, that you did purchase those properties?

I'm again not always relying on everything I read.

**Mr. Derek Quinlan:** I don't think, Mr. Chairman, it's fair to-----

**Senator Susan O'Keeffe:** Okay. That's fine. That's fine. And, finally, again in relation, you've mentioned a couple of times the Four Seasons purchase, the hotel. And again that was reported as ... because of the tax breaks that surrounded that particular deal, that the tax saved, if you like, or lost by the State, depending on which way you look at it, was estimated at just under €20 million. And again I know ... perfectly, those tax breaks existed and were there, was that part of the attraction for doing that deal?

**Mr. Derek Quinlan:** Well the tax breaks, I mean, the Four Seasons has never been accurately ... the Four Seasons' story has never been accurately reported in the press. But the reality at the time was that the then developers of the hotel in the year 2000 went wallop when the hotel was maybe 75% built. And the partners and the Four Seasons had to put up more money to get the hotel built. And I believed, I mean, I don't know, I was very proud of the fact that the Four Seasons, who are recognised as one of the foremost hotel groups in the world, were coming to Ireland and that I was in the lucky position to assist and to facilitate them. And they definitely raised the standard, Senator, in my opinion, right across the board.

**Senator Susan O'Keeffe:** Indeed, but did the relevant tax laws at the time allow you-----

**Chairman:** Finish up, Senator.

**Mr. Derek Quinlan:** The tax ... yes, the tax certainly ... it would never have worked because the equity was about €14 million which back in 1997, was a lot of money.

**Senator Susan O'Keeffe:** Thank you.

**Chairman:** Mr. Quinlan, you had a business model that stemmed over a number of different borders and jurisdictions. As you've explained earlier, different lending criterias in Germany and also having operations in the UK and Ireland. Which of those jurisdictions was the most injurious to your business?

**Mr. Derek Quinlan:** Oh, in ... well obviously in Ireland, although we, you know, we had loss ... you know, we didn't have a huge investment in Ireland by 2008, but Ireland clearly was not a good place to be.

**Chairman:** On that basis do you think that Ireland has a unique position in a property crash or do you still hold to the position that this was just part of something globally, given that it was the one injurious to you?

**Mr. Derek Quinlan:** Well, it was certainly ... it was part of something globally, but nobody would have foreseen how property values fell so quickly here.

**Chairman:** But if there's a global dilemma, there is a kind of a global average.

**Mr. Derek Quinlan:** Yes.

**Chairman:** Was your impact in Ireland average of a global dilemma?

**Mr. Derek Quinlan:** No, in Ireland the impact was much more severe.

**Chairman:** So, evidentially, how would you say that Ireland then was part of a global property crash when you, financially, were impacted more here, significantly, than any other jurisdiction?

**Mr. Derek Quinlan:** Yes, because the losses here, Mr. Chairman, were much greater.

**Chairman:** Why?

**Mr. Derek Quinlan:** Well, I can't answer why property prices fell so much, but they did.

**Chairman:** Were they overpriced?

**Mr. Derek Quinlan:** At the time they didn't look overpriced, Mr. Chairman. But, in hindsight it's easy to say, I mean, I gave you the example of the IFSC, the value went to €15 million in 2010.

**Chairman:** Was there anywhere else in the world where the difference between what the high end and low actually was?

**Mr. Derek Quinlan:** Not that I'm aware of.

**Chairman:** Okay. And would that make Ireland unique in that regard?

**Mr. Derek Quinlan:** Yes we were unique. We are still unique.

**Chairman:** Okay, thank you. I'm going to bring matters to a conclusion, Mr. Quinlan. I'd like to invite you to make any closing remarks or any further comments that you would so wish.

**Mr. Derek Quinlan:** No I have no further comment to make.

**Chairman:** Okay. All right, with that said I'd like to thank Mr. Quinlan for his participation here today and for his engagement with the inquiry. The witness is now excused. And I propose that we would return at 3 p.m., if possible please, because we do have some other hearings to get through today, okay? Is that agreed? Agreed.

*Sitting suspended at 2.19 p.m. and resumed at 3.15 p.m.*

## National Treasury Management Agency - Mr. Brendan McDonagh

**Chairman:** I now propose that we go back into a public session. Is that agreed? Agreed. So we commence this afternoon's session with Mr. Brendan McDonagh. It's our third public hearing today. Mr. McDonagh is a former director of finance, technology and risk at the National Treasury Management Agency. In resuming, I would like to welcome everybody back to the public hearings of the Joint Committee of Inquiry into the Banking Crisis. At this afternoon's session we will focus upon the role of the National Treasury Management Agency during the crisis. At our first session this afternoon, we will hear from Mr. Brendan McDonagh, former director of finance, technology and risk at the NTMA. Mr. McDonagh worked at the NTMA from 1994 to 2009 where he was financial controller and later director of finance, technology and risk. He is currently chief executive officer at the National Asset Management Agency, also known as NAMA. Mr. McDonagh, you're very welcome before the inquiry this afternoon.

Before hearing from the witness, I wish to advise the witness that by virtue of section 17(2)(*l*) of the Defamation Act 2009, witnesses are protected by absolute privilege in respect of their