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Joint Committee of Inquiry into the Banking Crisis

Witness Statement of

Michael Ryan

Strictly Private & Confidential

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- "(a) with the prior consent in writing of the committee,
- (b) to the extent necessary for the purposes of an application to the Court, or in any proceedings of the Part 2 inquiry, or
- (c) to his or her legal practitioner."¹

Serious sanctions apply for breach of this section. In particular, your attention is drawn to section 41(4) of the Act, which makes breach of section 37(1) a criminal offence.

¹ See s.37 of the Houses of the Oireachtas (Inquiries, Privileges and Procedures) Act 2013

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Written Statement provided pursuant to Direction issued under Section 67(1)(d) of the Houses of the Oireachtas (Inquiries, Privileges and Procedures) Act 2013 the Joint Committee of Inquiry into the Banking Crisis (the "Joint Committee")

1. *Background Relevant to the lines of inquiry referenced C2b and C3b, taking into account the questions listed in Appendix 1 to the letter dated 29 May 2015 (the "Lines of Inquiry")*
 - a. I served as Chief Executive Officer ("CEO") of Merrill Lynch International Bank Limited ("MLIB") from April 2002 to October 2009 in Dublin, Ireland. In my role as CEO of MLIB and Country Manager Ireland, I was responsible for the development and management of MLIB's Irish operations and various branches of MLIB.
 - b. MLIB is a credit institution licensed by the Central Bank of Ireland (previously the Financial Regulator).
 - c. The principal business of MLIB during my tenure was capital markets (debt derivatives and lending) and wealth management (which included deposit-taking from high net worth ("HNW") individuals). MLIB's business and client-base was international, and its Irish business and client-base was minimal relative to MLIB's overall business.
 - d. While I served as CEO of MLIB and Country Manager Ireland, my responsibilities did not extend to investment banking ("IBK") and I had no involvement in the Irish Government's engagement of Merrill Lynch to advise in connection with the matters that are the subject of the Lines of Inquiry (the "MLI Mandate").
 - e. The MLI Mandate was undertaken by Merrill Lynch's IBK division in London and the mandate was entered into with Merrill Lynch International ("MLI"), the UK investment bank. With respect to the MLI Mandate, this reflected the fact that the relevant expertise on the subject matter rested with MLI's IBK division and not with MLIB or the Irish operations. Neither I, MLIB, nor Merrill Lynch's Irish operations played a role in or participated in: (i) the performance of the MLI Mandate or the delivery or evaluation of any advice or analysis conducted as part of that mandate or (ii) the evaluation of any advice obtained from other advisors retained by the Irish Government at that time in connection with the matters that are the subject of the Lines of Inquiry.
 - f. I do not have documents in my possession from my time at MLIB relating to the matters that are identified in the Lines of Inquiry and, accordingly, my written statement is based on my best recollection of the matters set forth in this statement.

2. *Line of Inquiry C2b: "Role of advisors in analyzing the crisis (to include crisis management)" -- "Outline the role played, if any, by representatives of Merrill Lynch International based in Ireland, in the procurement of the engagement between Merrill Lynch International and The National Treasury Management Agency in September, 2008 and during the engagement?" (Appendix 1 to the 29 May letter.)*

- a. There were no representatives of MLI based in Ireland. When mandates were established by MLI with Irish clients, MLI bankers travelled, as necessary, for meetings with clients but no MLI bankers were based permanently in Ireland and MLI did not have offices in Ireland.
- b. My recollection is that the engagement of Merrill Lynch was initiated by the National Treasury Management Agency ("NTMA") through contact initially with a senior executive of Merrill Lynch in New York.
- c. I received a brief call in September from an official at the NTMA informing me, as a matter of courtesy (his description of the call), that the NTMA had placed a call to a senior executive at Merrill Lynch in New York to discuss the potential establishment of a mandate to advise the Irish Government. It was a brief call to me (less than five minutes) and there was no discussion of the specific nature of the mandate. There were no follow-up calls from me to the NTMA or by the NTMA to me after that call. I assume that the initial contact with Merrill Lynch in New York was then referred to MLI and, in due course, the MLI Mandate was established
- d. More broadly on the role of advisors and as noted in Section 1 above, I would note that I did not participate in the MLI Mandate and, accordingly, I did not take part in the assessment of any advice given by MLI or any other advisors retained by the Irish Government in respect of the matters that are the subject of the Lines of Inquiry or the assessment or evaluation of the appropriate policy response thereto.

3. *Line of Inquiry C2b -- "Appropriateness of the Bank guarantee decision" -- "Outline the nature of the meeting with the Minister for Finance on the 13/11/2008 to discuss Merrill Lynch's request to join the Bank Guarantee Scheme?" (Appendix 1 to the 29 May letter.)*

- a. MLIB is an Irish credit institution and, as noted in Section 1 above, part of MLIB's business included wealth management and deposit taking from HNW individuals. The vast majority of these clients were non-Irish clients (international), although MLIB did have an Irish HNW business and a small team of financial advisers in Dublin supporting the business.
- b. Following the announcement of the bank guarantee, there was an open question as to whether the bank guarantee would be limited to the "covered banks" identified at the time of the announcement, or whether the guarantee would be extended to other Irish banks. Specifically, there had been no public statement made that the guarantee would be limited to the "covered banks".

- c. There was also concern, following the announcement of the bank guarantee, as to whether (and to what extent) the guarantee might impact deposits held by non-covered banks (i.e., the potential that depositors would switch their deposits to covered banks).
- d. In light of this open question (Section 3(b) above) and concern (Section 3(c) above) at that time (i.e., in the period immediately following the announcement of the guarantee), MLIB wrote to the Minister of Finance stating, to the best of my recollection, that if the guarantee was extended MLIB would like to be considered for inclusion. In submitting that letter, MLIB wanted to preserve the option to be considered in the event that the guarantee was extended to Irish banks that were not initially identified as "covered banks."
- e. The meeting with the Minister of Finance took place on 13 November 2008 and it was a brief meeting (perhaps 20-30 minutes). The meeting focused on MLIB and the issues noted in Section 3(b) above (i.e., the Minister's view of the potential extension of the bank guarantee) and Section 3(c) above (i.e., concerns related to the potential impact on deposits held by non-covered banks). The message that the Minister delivered at the meeting was in line with the "suggested speaking points" in the document that the Joint Committee provided to me.
- f. I am not aware of any further communication or follow-up with the Minister or officials at the Department of Finance after that meeting on 13 November 2008.



Michael G Ryan
16 June 2015