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AN COMHCHOISTE FIOSRÚCHÁIN I DTAOBH NA GÉARCHÉIME BAINCÉI- REACHTA

JOINT COMMITTEE OF INQUIRY INTO THE BANKING CRISIS

Déardaoin, 10 Meán Fómhair 2015

Thursday, 10 September 2015

The Committee met at 9.00 a.m.

MEMBERS PRESENT:

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.

Nexus Phase

International Monetary Fund - Mr. Ajai Chopra

Chairman: The Committee of Inquiry into the Banking Crisis is now in public session. Is that agreed? Agreed. Can I ask members and those in the public Gallery to ensure that their mobile devices are now switched off. We begin today's first session - one of three sessions of public hearings - and we commence with Mr. Ajai Chopra, former deputy director of the IMF and in doing so, I would like to welcome everyone to the final day of the public hearings of the Joint Committee of Inquiry into the Banking Crisis. Before we hear from our witness I would like to say a few words about the inquiry to date and what lies ahead:

Today is the final day of public hearings of the Banking Inquiry - an inquiry that was established to serve the Irish people, to get the answers to questions about the banking crisis and to ensure that a crisis of this nature is never visited upon the Irish people again.

The banking crisis was, and remains, one of the most traumatic events in modern Irish history - it has impacted on homes, families and communities throughout our country. Few were spared its effects and many are still suffering from them today. Many people have rightfully asked - "How did this happen?" While much has been written about the crisis, gaps have remained in our knowledge of that time. The Irish people want and deserve the fullest and most comprehensive understanding of how the crisis enveloped our country.

It is right and fitting that in a parliamentary democracy, our parliament, people elected on behalf of the people, should seek to provide answers to questions about the crisis on its people's behalf. These past months of hearings have demonstrated that the Irish parliament can hold a fair and impartial public inquiry. The Inquiry has been held in an open and transparent manner with proceedings broadcast on the internet and on television for all to see and hear. It has portrayed our parliament in a positive light with members from all parties and no party working together on behalf of the Irish people.

For those members of the public watching today, I want to say that this inquiry was served and set up to serve you, the Irish people, to provide the fullest understanding, to ensure we learn the lessons from our past so that it is not repeated in the future. You have had the opportunity to hear, at first hand, from those who were involved in one of the major events in the history of our country. You were able to see and hear from them as they were questioned and gave their evidence to this committee.

The Committee is now embarking on the final phase of its work leading to its final report. This involves the analysis and review of evidence, obtaining clarification of material evidence from witnesses, and the compilation of books of core documents for publication with the final report. When the public hearings conclude this afternoon, the Committee will have heard oral evidence from 128 witnesses over 49 days since last December.

These witnesses, representing all the key institutions and relevant stakeholders, along

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with relevant experts, have brought a wide range of perspectives to bear on the committee's comprehensive examination of Ireland's banking crisis.

I'd like to take this opportunity to thank all the Committee members for their hard work and their commitment during our public hearings and the entire process. However, the taking of oral evidence is only a part of the work of this inquiry.

The Inquiry has sought and received nearly 50,000 documents to date, amounting to hundreds of thousands of pages. This is the first time that the key documents over the period, 1 January 1992 to 31st December 2013, have been collated and examined in one place at one time.

The real strength of the Inquiry is its ability not just to look at one document in isolation, but to draw together the different strands from various sources, along with the key public testimony, to get a better picture of what happened, to put in place the pieces of the jigsaw which made up the banking crisis. Over the coming months, the Committee and its team will work on bringing together all the ingredients for its final report.

While public hearings with witnesses are televised and webcast live, these are only part of the process. Much of the Joint Committee's work is less visible to the public. A parliamentary inquiry is a complex project, requiring a dedicated and expert team working behind the scenes to support the work of the Joint Committee.

In this regard, I would like to thank the secretariat and the investigators for the work that they have done to date and will continue to do so on behalf of the Inquiry, as we work together to complete our final report.

Every hour of public hearings requires hours of backroom work and support. Without this support, the Committee would not be successfully completing its Public Hearings today and be able to deal with the challenges it has faced to date and the challenges it faces into the future.

And I would also like to thank the wider Oireachtas staff - in particular the debates staff who ensured that transcripts of each day's public hearings were made available in a timely and efficient manner; and the parliamentary ushers and restaurant staff who were on hand, despite many early mornings and very late nights - and one which I hope we do not have this evening and that we finish on time.

So with that said, I would now like to commence today's proceedings and in doing so, I'd like to welcome Mr. Ajai Chopra before the committee. Our first session today is with Mr. Chopra and we will hear from him. He is a former deputy director of the IMF. Mr. Chopra worked for three decades at the International Monetary Fund, where his career focused upon country surveillance and IMF lending programmes, primarily in Europe and Asia but also into Latin America and Africa. He was responsible for the design and monitoring of Ireland's financial rescue plan from 2010 to 2013. His final position in the IMF... as deputy director of the IMF's European department. Mr. Chopra, you're very welcome, and I would like to acknowledge that you're appearing here today as a voluntary witness.

Before hearing from you, I'd like to advise you that, as witness, that by virtue of section 17(2)(I) of the Defamation Act 2009, witnesses are protected by absolute privilege in respect of their evidence to this committee. If you're directed by the Chairman to cease giving evidence in relation to a particular matter and you continue to do so, you are entitled thereafter only to a

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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, but 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, and members of the public and journalists are reminded that these documents are confidential and they should not publish any of the documents so displayed. So with that said, if I can now ask the clerk to administer the affirmation to Mr. Chopra, please.

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

Mr. Ajai Chopra, former Deputy Director, International Monetary Fund.

Chairman: Once again, Mr. Chopra, welcome before the committee this morning and if I can invite you to make your opening remarks please.

Mr. Ajai Chopra: Thank you, Chairman. Good morning, members of the committee. I've been quite fulsome in my written statement. In the interest of brevity, I will make just a few points to provide perspective. First, I reiterate that I no longer work for the IMF and hence speak in a personal capacity. I do not represent the IMF at this hearing. I also remain bound by the IMF's rules on confidentiality. Second, a few words about the counterparts I worked with on the external assistance programme. On the Irish side, the counterparts at both the technocratic and political level were uniformly superb. They were knowledgeable, dedicated, smart, funny and committed to tackling Ireland's difficult situation. There are too many individuals for me to mention by name and it's invidious to single out just a few so I won't do so. These Irish public servants were true heroes in how they dealt with the crisis in Ireland and Europe. The nation should be proud of them and they should be proud of what they achieved under difficult circumstances.

Teams from Europe and partner institutions, namely, the European Commission and the European Central Bank were also high calibre. They came to Ireland with the genuine intention to be helpful and supportive within the constraints imposed by their institutional rules and structures. Staff from the IMF, the Commission and the ECB established an effective and collegial working relationship although this required a big investment of time and effort, including agreeing first time positions among external partners before discussing them with the Irish authorities. I would be amiss if I did not also pay tribute to the marvellous IMF teams I had the good fortune to lead. I may have become the public face of the EU-IMF programme - certainly not by design and I guess today's appearance before this committee ironically perpetuates that - but this was a team effort, with a fabulous group of IMF professionals backing me up all the time.

Third, I now turn to the central theme put to me by the committee, namely, the crisis response and the role of external partners. As my statement covers specifics on this matter, I limit myself now to the broader point that IMF support for a member of the monetary union introduces an unusual set of challenges. This has a number of dimensions and I'll touch on only a couple of them.

One dimension is divergent interests of the IMF and European institutions where objectives

may not necessarily always be aligned. The IMF tends to focus primarily on supporting its member country, encouraging policies that are suitable for the country that at the same time do not undermine global stability or increase global imbalances. The EC and ECB often put euro area-wide rules and concerns above what is appropriate for the individual member. The obvious example is the issue of burden-sharing with senior unsecured bondholders, where European institutions focused on wider euro area concerns even if this resulted in a higher burden for Irish taxpayers and higher Irish public debt.

The issue of ECB liquidity support, a crucial complement to bank recapitalisation and restructuring plans, is another example. No doubt the ECB was an enormous creditor to Ireland through its liquidity support. Indeed, at the time no other euro area country received as much support from the euro system relative to the size of the economy. But this support appeared to be only grudgingly provided and its availability and stability did not seem assured. As I pointed out in my written statement, although critical to the programme there was no *ex-ante* commitment of liquidity support from the ECB. More supportive public statements by the ECB about ensuring the provision and stability of liquidity support, as needed, would have helped restore confidence in the banking system.

Another dimension is the importance of greater euro area solidarity to help address adverse feedback loops between banks, the sovereign and the real economy, which were terribly damaging for Ireland and other countries. Europe's decision to require each country to solve its own banking problems individually rather than in a mutualised manner worsened the crisis. Even the relatively modest step of euro area bank recapitalisation instrument, despite being on the books, has hit a stone wall. Similarly, low-risk approaches to mobilise European support such as credit enhancement schemes to lower the funding costs of banks tracker mortgages would have helped bolster bank profitability and simultaneously support lending capacity, but these did not get much traction. Such additional support for a country such as Ireland would have had a positive pay-off, making it an investment worth undertaking.

The broader point is that Europe does not seem ready to create a genuine fiscal and financial union, but without such solidarity, the monetary union will remain fragile. Common regulation and supervision, including through the implementation of the Single Supervisory Mechanism, is now well advanced and is a good thing. It should help address regulatory capture, which was an issue in Ireland before the crisis.

A legal framework for common bank resolution is in place but its funding is woefully inadequate. However, common deposit insurance is a distant prospect at this stage, but without common deposit insurance, there will be no homogeneity of bank deposits across the euro area and no pan-European financial system. Moreover, the threat of euro exit has been used as a negotiating tool, which changes the monetary union into a system of fixed exchange rates, forever changing the nature of the euro.

I do not want to end my opening statement on this sombre note about Europe's fragile future unless radical changes are made in the functioning of the monetary union. I'll, therefore, end on a different note. Ireland's successful completion of its external assistance programme was a significant achievement and deserves much praise. Yes, some crisis legacies still loom large and there are risks, but, as I said in my written statement, the economy is growing at a rapid clip and is creating jobs. The banking sector is healing; the fiscal deficit is small; public debt is declining. A key reason for this success is country ownership of the programme. The policy package under the external assistance programme was home-grown, designed by the Irish themselves. Ireland had an excellent record of policy implementation and compliance with the

conditions set under the programme. There were 12 quarterly reviews of the programme, and each one was completed like clockwork. This is a rare ... this is rare and is no small accomplishment. The Irish authorities also persisted, despite uncertainty and some dark moments. Social cohesion was maintained. These are all essential ingredients to make the external assistance programme a success. Thank you.

Chairman: Thank you very much, Mr. Chopra, for your opening comments and if I can commence questioning and in doing so invite Deputy John Paul Phelan. Deputy, you've 15 minutes.

Deputy John Paul Phelan: Thank you, Chairman. Good morning, Mr. Chopra. I've a lot of questions so we'll get into it. In your opening statement you state the following:

Ashoka Mody made an informal visit to Dublin in February 2009. That visit was the first time the staff raised the question of whether an IMF-supported financial arrangement might be useful to help smooth the inevitable adjustment facing the Irish economy.

When you refer to staff in the statement are you speaking just about the IMF? And with whom did they raise the question of whether an IMF-supported financial arrangement might be useful? And can you describe actually also what the reaction from the Irish side was?

Mr. Ajai Chopra: Okay. I think it's best to talk in terms of who are the typical senior counterparts in IMF discussions. The typical senior counterparts are the Governor of the Central Bank and his main deputies, and in the Department of Finance, it tends to be the Secretary General and his main assistant secretary generals. So those were the interlocutors when these matters were discussed. I'm not in a position to talk about the precise nature of those discussions but what I can say is, obviously, the counterparts listened carefully, asked questions but in the end we know what the result was - and the result was that they did not pursue programme discussions.

Deputy John Paul Phelan: Okay, that's fair enough. Can I ask you about the process then rather than maybe specifics? What is the process within the IMF, you know, when that initial type of consultation takes place? Is it somebody such as yourself who brings it, kind of, up the chain of command in the IMF to see whether ... or what actions are necessary on a political level ... that a programme would actually happen?

Mr. Ajai Chopra: The way the IMF works is that before contacts are made with country authorities on a formal mission or even on an informal staff visit, the IMF staff prepare its terms of reference for that discussion. So the staff makes a proposal in these terms of reference, it prepares a memorandum - a short paper - and that paper needs to be approved by IMF management. So whatever the staff says in a country has usually been cleared by IMF management. So that's the critical part of the process. So it is not just an IMF staff position; it has been endorsed by the IMF senior management.

Deputy John Paul Phelan: Okay. I want to put to you a statement. Mr. Cardiff, the former Secretary General of the Department of Finance, in evidence to the inquiry stated the following, "Then, in 2009, I believe there were hints in Washington, possibly also in Dublin, that, you know, IMF would be available if we wanted them." Would I be correct in understanding from your statement that what you're saying is that there were more than hints ... that in February of 2009 there was an actual beginning of a process?

Mr. Ajai Chopra: I would not say that there was a beginning of a process to talk about a

programme. There was the beginning of a process to inform the Irish authorities as to how the IMF could help, and there was also a beginning of the process of ... of telling the Irish authorities that the right time to enter into a programme is when a country is vulnerable and not when it is in a full-blown crisis.

Deputy John Paul Phelan: Okay. I also want to put another quote from Mr. Cardiff, from his evidence to the inquiry. He said ... in referring to getting an understanding as to how Ireland might make an application or enter an IMF programme, he said, should the need arise around September 2008 ... the quote is, he had “asked a colleague to make a discreet inquiry as to how you get into these things.” Were you aware in ... at the start of 2009 of that initial inquiry as far back as September 2008 from the, from the Irish side?

Mr. Ajai Chopra: As I said in my written statement, the first discussion of this was in the context of Mr. Mody’s visit to Ireland in February 2009.

Deputy John Paul Phelan: So you weren’t aware of any initial noises from Ireland at the end of 2008?

Mr. Ajai Chopra: I’m not personally aware of it.

Deputy John Paul Phelan: Okay. On page 3 of your statement, you refer to the infamous Trichet-Lenihan letters and you state, and I quote, that “the demands in the ECB letters went beyond that institution’s mandate”, which is-----

Chairman: Deputy, if you maybe just desist from giving some adjective or pronouns or descriptives to the letters. They’re just letters; whether they’re infamous or not will be decided at another time, okay? Mr. Chopra.

Deputy John Paul Phelan: Indeed. From the letters, then, between Mr. Trichet and Mr. Lenihan ... can you elaborate on the statement - that’s really what I’m ... the point I’m trying to get at - and how, in your view, they were going beyond their mandate?

Mr. Ajai Chopra: Okay. Remember, the ECB is the lender of last resort for the euro area. So, it is perfectly within the rights of a creditor such as the ECB as ... in its lender of last resort function to ask about the viability and solvency of the banks that it is supporting, and it is perfectly within the rights of the ECB to ask about how the problems of these banks are going to be addressed. In addition, I think it is fine for the ECB and its senior management to say that if the sovereign cannot borrow on the market to recapitalise banks, then the sovereign, in this case Ireland, should seek international support from the EU and the IMF. So those things, I think, are perfectly within the rights of a lender of last resort.

But, in my view, ultimatums are not the right way to conduct business amongst euro area members and institutions, and we’ve seen that such ultimatums were delivered in the case of Ireland, through the letters that you’ve mentioned, and also we’ve seen them recently in the case of Greece. Furthermore, and I’m coming back to the letters, discussing fiscal policy and structural reforms, in my view, goes beyond the ECB’s mandate and is not appropriate. There’s a broader issue over here in my view. The ECB during this crisis - the first several years of this crisis - were central in pushing the agenda of deflationary structural reforms as the solution to the eurozone crisis, instead of demand stimulus. This resulted in asymmetric adjustment. What I mean is that it resulted in excessive emphasis on deflationary internal devaluation while the ECB chronically failed to meet its 2% inflation target.

The eurozone, and the ECB was ... as a key institution in this regard, emphasised supply side policies when the real problem in the eurozone was deficient demand. It took a long time before the policy mix changed. The policy mix is now improved but, in my view, it's not enough. Too much of a burden is being put on monetary policy, and a neutral fiscal stance for the euro area, which it now is - for a while it was contractionary - is not appropriate. So I think you need to see my comments about this letter in this broader context of whether ultimatums are appropriate in discussions amongst euro area members and in the context of the macroeconomic policy mix and the ECB not meeting its own inflation mandate.

Deputy John Paul Phelan: Can I ask you then, as a brief supplementary: did you get an opportunity, or did you feel it was appropriate, to raise those concerns about the nature of the ultimatum, as you said, in those letters?

Mr. Ajai Chopra: I did not see the letters until they were published in November 2014.

Deputy John Paul Phelan: So you had no opportunity, I suppose, at the time to raise those concerns.

Mr. Ajai Chopra: That's correct.

Deputy John Paul Phelan: Mr. Ahearne was here yesterday, the former adviser to Minister ... the late Minister Lenihan, and he spoke about a meeting between ... when himself and Mr. Lenihan went to Washington D.C. in early October 2010 to meet the IMF, including you, he believed, and that there was a discussion about senior bondholders in Anglo Irish Bank at that particular meeting. Do you recall the meeting and can you elaborate maybe a little bit more on that discussion?

Mr. Ajai Chopra: I do recall the meeting. The issues that you refer to did arise, but I'm not at liberty to go into precise deliberations.

Deputy John Paul Phelan: As you note in your witness statement, Mr. Ó Ríordáin from Arthur Cox, a legal adviser to the Department of Finance, gave evidence to the inquiry where he detailed meetings with the IMF in November 2008 where Lee Buchheit was present. Was ... who asked Mr. Buchheit to become involved in the Irish issue or asked him, indeed, to come to Ireland? And are you aware did he meet with Governor Honohan and Minister Lenihan at the time?

Mr. Ajai Chopra: I think, picking up on what Mr. Ó Ríordáin said, this was at the initiative of the IMF staff. Beyond that, I'm not at liberty to say any more.

Deputy John Paul Phelan: Okay. Was his advice asked about restructuring Irish sovereign debt, as in Greece where he was heavily involved, or was his presence exclusively related to senior bondholders?

Mr. Ajai Chopra: The issue of Irish sovereign debt was never on the table because the Irish authorities were adamant that they would meet their sovereign obligations.

Deputy John Paul Phelan: Okay. Can you advise if the IMF view on burden-sharing ... can you advise us on the IMF view on burden-sharing and if it was materially different from the EU institutions and, if so, can you outline that?

Mr. Ajai Chopra: Deputy, I have been, as I said earlier, very fulsome in my written statement. If you want I can sort of walk you through that but the key point is that the IMF staff

viewed certain ... was of the view that imposing losses on just junior bondholders was not sufficient and that the issue of imposing losses on senior, unguaranteed, unsecured bondholders should also be explored and I listed criteria for this, which is: look at the overall magnitude of banks' losses, to look at the issue of returning the banks to a more stable funding structure and also to look at the issue of potential knock-on effects on others. And as I said in the statement, this needs to be done within a robust legal and institutional framework that strikes a reasonable balance between creditor safeguards and flexibility.

The key issue became the issue of contagion. Again, as I said in my statement, this was ... this was ... in ... this was obviously something that needed to be taken into account. European institutions put an enormous weight on this ... on the issue of contagion and they were very concerned that moving on imposing losses on senior bondholders in Ireland would adversely affect euro area banks and their funding markets. The view of the IMF staff was, this does need to be taken into account but that this was something that was anticipated by markets and if it was done within the context of a programme where the sovereign has already lost access to markets, it is something that the markets should have been able to absorb and even if they were not able to absorb it, there were mechanisms to help address that contagion.

Deputy John Paul Phelan: Was there an ongoing discussion then, during your time here, with the counterparties of the ... from the European institutions as to ... or how long was that discussion going on for? You can't really tell us, I suspect, of the detail of it but ... what was the nature of it?

Mr. Ajai Chopra: These issues were discussed amongst the various parties. I think that's about all I can say.

Deputy John Paul Phelan: Okay, one final question. Do you feel yourself, from your time in Ireland, that you became the presentable face of the troika and that perhaps, others might observe from the outside that other members of the troika hid behind your affability and presentability in terms of being that -----

Chairman: Mr. Chopra is a very nice man-----

Deputy John Paul Phelan: -----face.

Chairman: -----but I'd ask you maybe, just to deal with the facts.

Deputy John Paul Phelan: It's a fact.

Mr. Ajai Chopra: As I said in my opening remarks this morning, I think it was entirely accidental that I became the public face. This was never by design. I think the ... what I will say is that right from the outset - and this is a lesson we'd learnt dealing with previous crises - the IMF staff had learned that it is very important to be able to communicate transparently and honestly about the nature of a programme, so I think we were ahead of other institutions on our communications policy.

Chairman: Okay.

Deputy John Paul Phelan: Thanks.

Chairman: Senator Marc MacSharry.

Senator Marc MacSharry: Thank you Chairman and welcome Mr. Chopra. Thank you

for taking the time. What were the most contentious issues that emerged during the discussions with the troika and the Irish Government and the Irish side in the formulation of the bailout programme?

Mr. Ajai Chopra: I think I've touched on several of these. We have talked already a little bit about the issue of burden-sharing going beyond just junior bondholders. I have also talked a little bit about the issue of trying to seek greater stability of ECB liquidity support. In my written statement, I also touched on the issue of the pace of fiscal adjustment and the timetable for achieving the 3% deficit target under the excessive deficit procedure, so that was another issue. The issue of how to deal with the promissory notes and emergency liquidity assistance was recognised early on ... that this would have to be addressed, but it was not addressed at the start of the programme. That took some time to achieve, so in a sense that was parked for a while. There was the issue of, you know, how much should be set aside to support the banks, and we can ... I'd be happy to elaborate on that if you want. So there were a host of issues that were debated and discussed.

Senator Marc MacSharry: What was the issue around the promissory notes?

Mr. Ajai Chopra: Well, the issue around the promissory notes was that there was a very large outstanding stock of emergency liquidity assistance. There was the issue of how to deal with Anglo Irish. There was the issue of the amortisation schedule for the promissory notes. On the European side, there was the issue that this needed to be dealt with in a way that did not give rise to the perception of monetary financing. So a workable solution needed to be found that addressed all these issues, and that took some time.

Senator Marc MacSharry: In the operation of the troika, did you feel that the IMF were an equal player or did you feel that the ECB or the Irish Government or others were proportionately stronger in promoting their point of view?

Mr. Ajai Chopra: Okay. I think it's important to step back and recall why the European institutions, and European politicians especially - more the politicians, not really the institutions - were very keen to bring in the IMF into this process. I think the IMF was brought in to provide credibility on economic policies, given its extensive experience on crisis management. Remember, the IMF had been in the business of crisis management for many decades and had built deep and broad experience on this front. For European partners, however, crisis management was a relatively new task and they were less experienced in programme design. I think it's fair to say that some European politicians also saw the IMF as a counterweight to the Commission, which some creditor countries viewed as being somewhat feckless in this area. But the IMF did end up being a junior partner to the European institutions, and key decisions were taken by the Eurogroup. And, hence, I do think that overall - and I'm talking about the euro area in general, not so much in Ireland - I think this ... that this did affect the IMF's ability to enhance the credibility of euro area programmes. I do think in Ireland, though, we were influential with our partners. We may not have won every battle, but we were influential and we did manage to steer things in a way that, I think, was right for Ireland and the euro area. I think I should also say that, you know, even though the European partners may not have had the crisis management experience to start with, they learned very fast. And they quickly developed the necessary skills and they gained the experience through hiring practices and also setting up new institutions such as the European Stability Mechanism. So I believe that now, in 2015, the IMF has no particular advantage on programme design and monitoring for a euro area member.

Senator Marc MacSharry: You rightly pointed out the extensive experience and that this

was not new territory to the IMF. The ECB in particular would not have had the lifetime experience and expertise in circumstances of crises such as these. Bearing in mind that, by your own admission, you feel that you steered things in the right direction but didn't win every battle, what alternatives should have been contemplated that, had the ECB and the EU sufficient experience in crises management, should have been followed?

Mr. Ajai Chopra: I think more equitable burden-sharing is certainly one of those. I also said in my written statement that I would have been personally in favour of an even more gradual fiscal adjustment, because I think Ireland had already developed a great deal of credibility in addressing its fiscal problems even before the programme started and the European institutions were much too focused on their SGP rules and the excessive deficit procedures and so on. So, it's issues of those nature.

Senator Marc MacSharry: You were wholesome in your praise for all of the people that you worked with through the programme, elected people, people on the technical side, officials and so on. Obviously the fallout from this has seen a, a contribution from the Irish people that is second to none and indeed without any civil unrest that I'm sure your own organisation would be very familiar with. Would you say that because of the actions of the ECB and the IMF - in not following a line that you yourself would have seen as more preferable given your experience, as a more gradual fiscal adjustment, perhaps more equitable burden-sharing - is it fair to say, or not, that the Irish people paid an unfair price and an unnecessary, unfair price in this regard?

Mr. Ajai Chopra: I, I think I would limit that statement just to the issue of burden-sharing with senior bank creditors. I would not ... I would not widen that too much. But as I also said in my opening remarks this morning, I think there were better ways to deal with this crisis overall for the eurozone. A greater degree of mutualisation of the, of the problems that banks were facing would have been very helpful. Instead, as the issue ... the way it was approached was a co-ordinated mechanism for each country to address its own problems. So I think the issue of greater eurozone solidarity would have been helpful, not just in the Irish context but in the broader eurozone context.

Senator Marc MacSharry: Just a couple of quick points just specifically on the burden-sharing. We had Kevin Cardiff who was here with us and in his opening statement he said about these issues and I quote:

There had even been early indications of a positive hearing from US Treasury Secretary Geithner. We heard back, however, via the IMF team in Dublin, that instead of a positive response, there had been a strong negative reaction from the ECB and from Geithner and others

This was against a background here too where ... Cardiff had said that they were led to believe that Mr. Strauss-Kahn, head of the IMF at the time, was not only in favour of this approach but believed he could and would undertake to persuade other major players in world finance, such as ECB head Trichet and Geithner and others. Would you agree with that?

Mr. Ajai Chopra: Senator, I am not in a position to talk about specific deliberations within the IMF or also discussions between the IMF managing director and other G7 partners. I know that the ... that Secretary Geithner's book has been referred to in evidence in front of this committee and I would also just point to what Mr. Geithner said in his book.

Senator Marc MacSharry: You mentioned earlier, while you were in a position to recall certain meetings and confirm they took place, and even the content of some meetings, you couldn't go into the specific deliberations, and we fully understand that. Was there ever discussions, to your knowledge, at the G10 ... sorry, at the G20 in 2010 conference in South Korea about Ireland entering a programme?

Mr. Ajai Chopra: My knowledge of this is simply through what's in the public domain. I was not at the G20 meetings in Korea.

Senator Marc MacSharry: Would you have any comment on the ECB's refusal to cooperate with this committee?

Mr. Ajai Chopra: No comment.

Senator Marc MacSharry: Did it surprise you?

Mr. Ajai Chopra: Each institution has its own procedures and ways of operating. As you know, my current ... my former colleagues from the IMF are not appearing in front of this committee either. So, you know, I think this goes to the procedures of each institution and their rules for dealing with national parliaments.

Senator Marc MacSharry: And the rules, of course, of the IMF, didn't prohibit you in your private capacity from coming in. We're all very grateful for that. Did you find it unusual that, given the same rules apply to the ECB, that Jean-Claude Trichet didn't take a similar opportunity to attend and-----

Mr. Ajai Chopra: My decision to come here was very much a personal decision.

Senator Marc MacSharry: And we're very grateful for it indeed. Thank you, we'll move on from that. Can you ... you mentioned earlier that, that a programme was under way, almost, before the formal IMF programme, troika programme was entered into. Are you satisfied that the programme, designed I suppose under the stewardship of the late Brian Lenihan and the previous Government, and continued to a great extent by the current Government, has worked as you would have hoped it might have and indeed may have been designed by the ECB and Commission and yourselves?

Mr. Ajai Chopra: I think if I look back to how I thought things might unfold back in November 2010 ... a couple of observations. One is I don't think any of us realised that things would actually get quite a bit worse for a while, and they did get quite a bit worse. And this was not related to what Ireland was doing; this was related to what was happening in the broader eurozone. So that part was a surprise. I mean I think, as you said, the former Government and the current Government were doing their utmost to deal with the situation but what they were doing was being swamped by what was ... by conditions in the broader eurozone. But once some of those broader eurozone concerns and problems began to be addressed, I think Ireland ended up doing better than I thought it would. You know, in my written statement I talked about some of the issues about public debt sustainability and how that turned out to be better than we had anticipated. I don't think any of us foresaw that growth would rebound in quite as solid a way but, you know, whenever I talk about growth, I think it's very important to move away also from the headline growth numbers and think in terms of levels. In terms of levels, it's only now in 2015 that *per capita* GDP in Ireland is returning to its level in 2007, and that's a long time.

So, you know, there have been a number of upside surprises but I think things could have

gone even better if the overall macroeconomic approach in the eurozone had been stronger, and I've talked a little bit about that already, and if there had been even greater eurozone solidarity and mutualisation.

Senator Marc MacSharry: And just before I give you my very final question, can I ask you, can you identify the fundamental changes in policy that occurred in the change in Administration here in election 2011?

Mr. Ajai Chopra: I think ... I wouldn't say there were fundamental changes. There were a number of small changes, and actually not a very large number. There was the issue of the minimum wage, which was taken ... which the new Government did not continue with, with the proposed policy of the previous Government. There was a little bit more ... there was more emphasis ... there was some switch in some fiscal measures geared a little bit more towards job creation. So I wouldn't say there were any fundamental changes-----

Senator Marc MacSharry: -----or differences. So, and then, and ... on the 12 quarterly reviews, if there was a suggestion from a Government that we wanted to adjust the process of getting to the bottom line, were governments free to do that? So were they free to, to generate revenue from X or Y or was that prescribed by yourselves?

Mr. Ajai Chopra: Typically, the choice of measures is left to the government itself.

Senator Marc MacSharry: Finally then, can I ask were the social consequences of the bailout programme considered during the programme discussions and how were these consequences considered? And what was the nature of the discussion?

Mr. Ajai Chopra: Of course they were considered because I think, you know, the social consequences was something that was very much in the minds of both the previous Government and the current Government. I mean, you know, the national recovery plan was drawn up with the social consequences in mind. The new Government also had social consequences in mind. I've gone through some of the details in my written statement but I come back to the point that what we could do was to advise and try to steer the Government towards measures that mitigated some of the social consequences as they chose the revenue and the expenditure measures to undertake. And I think, you know, the data suggest that this was largely achieved. I don't ... you know, the ESRI, of course are the real gurus on this but my impression is that the distributional consequences of this programme, when one looks in terms of disposable income that takes into account taxes and welfare payments and so on, has not been of any great significance.

Senator Marc MacSharry: Thank you very much.

Chairman: Thank you very much. I just want to stay with that for a moment, if you don't mind, before I bring in the next questioners, Mr. Chopra? And in that regard, Senator MacSharry was talking about the social consequences. You mentioned earlier the SGP, that is the Stability and Growth Pact, and the rules that come with that. Was there a balancing or a sort of conflict of needs there between meeting the requirements of the Stability and Growth Pact and being mindful of the social implications of the adjustments that were required?

Mr. Ajai Chopra: I think it is important to keep in mind that Ireland had no choice but to undertake a fiscal consolidation.

Chairman: Okay.

Mr. Ajai Chopra: The structure of the budget had changed very fundamentally after the crisis. Sources of revenue had been lost. The Government had to take on a very large amount of public debt to support the banking system and, you know, expenditures had been ramped up during the boom. So addressing fiscal problems was going to be central to the programme.

Chairman: Okay.

Mr. Ajai Chopra: The issue is that ... that, you know, to superimpose the SGP on that obvious requirement was an additional complication.

Chairman: Okay. So in that regard, we can go into the choreography and the structure of the bailout programme. But you are saying that a structured programme of one nature was required or another? Yes?

Mr. Ajai Chopra: Yes.

Chairman: And would it be more correct, or not, to describe the crisis in Ireland not just as a banking crisis, but as a banking crisis and a very serious fiscal structural crisis as well?

Mr. Ajai Chopra: The way I see it is that Ireland had a classic boom-bust situation, driven by a property cycle, that had very serious consequences for the banks, which then had consequences for the public accounts, and both together had consequences for the real economy. So, they were very much intertwined, but the core of the crisis was very much a banking property boom-type crisis.

Chairman: Okay, and in that regard when you came into the Irish environment and the initial examination of where the structure programme was going to go, I would've assumed that you would've have had to familiarise yourself with what was actually happening in the middle of this period, yes?

Mr. Ajai Chopra: Yes, of course.

Chairman: And in that regard, did you take any examination of the banking guarantee and how it was structured and its duration and that it was going to expire two years after it was set up, and that seemed to have coincided with the arrival of yourself into town? So, is there a relationship between the design of the banking guarantee and Ireland requiring a structured programme two years, two months afterwards?

Mr. Ajai Chopra: I think the way ... the design of the guarantee did lead to a funding cliff, and that funding cliff did have consequences for the amount of liquidity support that was needed and perceptions of Ireland in the sovereign bond markets. So that's how the link played out.

Chairman: Okay. So, in that regard, and we ... you mentioned ... Mr. Trichet was mentioned earlier and the letters that were going back and forth. And when Kevin Cardiff was before this committee, he said in many ways, the letter was entirely superfluous since it was already clear by the time of the letter that the Government was going to opt into a programme? Would you concur with that?

Mr. Ajai Chopra: I absolutely concur with that, and I think in my written statement, I also-----

Chairman: Okay.

Mr. Ajai Chopra: -----recognised the word that Governor Honohan used - that it was “gratuitous” - and I agree very much with that

Chairman: Putting aside the detail of the programme, would it be accurate or inaccurate to say that Ireland was bounced into a programme, or it was going into a programme of one design or another?

Mr. Ajai Chopra: I think Ireland had pretty much lost access to sovereign bond markets, and to me that was the primary reason-----

Chairman: Okay.

Mr. Ajai Chopra: -----to enter into a programme.

Chairman: Okay. In that regard, should Ireland have sought to go into a programme at an earlier time, and if it had done so, would its negotiating position have been stronger?

Mr. Ajai Chopra: Now, as I said in my written statement, the right time for a country to enter into a programme is when it's vulnerable but not in a full-blown crisis. Now, within that, there's a continuum. At one end of the continuum, you have a situation where a country can ask for help at the very first sign of some trouble, or it could wait, and the other end of the continuum would be that it cannot pay next week's wages, pensions and debt service. So within that, there's a number of other possibilities. Now, it's most unusual for a country to come right at the beginning, at the first sign of trouble, because there an enormous amount of stigma. That's something that the IMF has not been able to address in its programmes. It's well known that there's stigma about entering into an IMF programme. And also there's always the hope that you can ride out the troubles. But it's equally disadvantageous to come at the very end, and Ireland did not do that. It did still have a bit of a cash buffer. It had lost access, but it still had a cash buffer. So a judgment has to be made, and, on balance, the IMF favoured coming earlier rather than later. Now, the precise consequences of when it came in, versus having come in even earlier, you know, one cannot be definitive about that. One can only speculate, and in my written answers I talked about, you know, the possible ... that one can easily paint a plausible scenario where if it had come in earlier, there might've been a more robust and credible bank recapitalisation and, you know, the economy might not have contracted as much and, you know, property prices may not have overshot. So, all these are plausible. I can paint that scenario; you can paint that scenario. But can I, sort of, say with a very high degree of confidence that that's exactly how it would've played out? No, I can't say that.

Chairman: Okay. Mr. Trichet, when this committee engaged with him - and the requirements for meeting Mr. Trichet would be that his engagement with us would be seen as testimony, would be seen as evidence and it would be useable with other witnesses and also useable in terms of the committee's final report. And when he was asked about the crisis period in around the timing of his letters between himself and the late Minister Lenihan, particularly the letter of 19 November, he said at the hearing in Kilmainham:

And, you know, we could also have continued on our side after having gone up to 100% of the GDP go to 200% of the GDP, and why not 300% of the GDP? Then what would be the Commission inquiry [referring to this committee] asking for? You would say, “Were you totally crazy at the ECB to continue, when we were going in the wall at 100 mph, to continue to provide liquidity and liquidity and liquidity?”

So, Mr. Chopra, given your involvement with the process, is Mr. Trichet right or wrong in

this regard? That if the situation hadn't been named in terms of the crisis that was evolving, and if action hadn't been taken, and the entry into the programme didn't commence in or around November, would the delay have actually cost Ireland more in the long term? And would it have required a more severe adjustment programme?

Mr. Ajai Chopra: Two points that I want to make. As I said earlier in my ... in an answer to a question, I think as the lender of last resort, Mr. Trichet was very much within his rights to ask about the viability and solvency of Irish banks and how the ... how their viability and solvency could be ensured so that the ECB could continue to provide liquidity support. So I think there should be no question on that front. I think the ECB had to do that as the lender of last resort. As I've said earlier, it's the issue of ultimatums that, I think, becomes problematic. Now, if Ireland had come much later ... as I said, you know, you don't want to be at that point in that continuum where you just cannot pay next week's wages, pensions and debt service. I think, you know, designing a programme under those circumstances is very difficult and very complicated, so coming earlier is better.

Chairman: Okay, thank you. Deputy Michael McGrath.

Deputy Michael McGrath: Thank you, Chair. Good morning, Mr. Chopra, and thank you for your attendance and co-operation. In relation to the design of the bailout programme itself, Ireland contributed €17.5 billion from the National Pensions Reserve Fund, and you addressed that issue in your witness statement. Can you comment on discussions between the troika members on this contribution? And was it a precondition of the programme that Ireland would contribute such an amount from the pension fund?

Mr. Ajai Chopra: When the IMF puts together a financing package, our experience ... the experience has been that it is best to have a sufficiently large package so that it gives confidence that financing will not be a problem during the course of the programme, that there's some certainty as to the amount of financing that can be provided, and that ... it's better not to have to come back later and augment it. You know, there have been programmes where an augmentation has been necessary, so, you know, we wanted to avoid that. We then, sort of, thought in terms of, you know, how much should we set aside for the banks, how much needs to be set aside for the requirements of the Exchequer, which come from the path for the fiscal deficit, comes from, you know, the debts ... the gross debt service payments that need to be made and when you expect the country to re-enter the markets. That part is reasonably, you know ... well, there's always uncertainty as to when you re-enter the markets, but the other parts I think ... you know, the numbers work, you can get to something. So, that's how we, sort of, got to the total number. Now, Ireland did have, it was in the good position to have a sovereign wealth fund, I mean the NPRF is actually a misnomer in my view but it is a sovereign wealth fund and, you know, when you have that, I think it behoves the country to actually use that and, as I said in my witness statement, that was a sign of strength so it was that perspective that we took when we... when we designed the financing package. The IMF, in terms of its financing, was... it was pretty much at a limit as to what it could give.

Deputy Michael McGrath: Sure, okay, that's fine. Going back to the autumn of 2010, September, October 2010, if the European Commission had made a strong public statement of support for the fiscal programme under way in Ireland, if the ECB had made a statement of support and a commitment to provide ongoing liquidity, could a formal bailout programme have been avoided or was it absolutely inevitable at that point?

Mr. Ajai Chopra: You know I don't think one can answer that question in a very definitive

way, but... because I think... I think the situation was... was already quite dire. But maybe... maybe Ireland might have... might have not lost market access right at the point that it did. But I don't think it would have made a very, very material difference.

Deputy Michael McGrath: And do you think that in October, November 2010 that the European institutions, namely, the ECB, had come to the view that in an effort to contain the eurozone crisis that Ireland had to be ring-fenced, put into a programme and try to cap the crisis there? Do you think that corporate view was arrived at?

Mr. Ajai Chopra: Yes, I do.

Deputy Michael McGrath: And do you think there was an element of engineering involved then, to arrive at the conclusion whereby Ireland ended up in that programme which the institutions desired?

Mr. Ajai Chopra: That... that requires some speculation and I... I think I'd rather-----

Deputy Michael McGrath: Okay, but if I can move on to the issue of burden sharing which you've addressed in detail in your witness statement and in some of the questioning so far. In supporting burden sharing with senior bondholders, do you draw a distinction between the failed institutions which were being wound down, Anglo and Irish Nationwide, and the other institutions in your analysis and your support for burden sharing?

Mr. Ajai Chopra: Yes, I think that distinction is a very important distinction because if you look at the criteria that I mention - the magnitude of the banks' overall losses, the need to return the banks to a more stable funding structure and the potential knock-on effects on others - those criteria were met much more easily in the context of Anglo Irish and INBS. Those were failed banks whose losses were many multiples their... of their capital. They did not need to worry about counterparty relations in the future so I think the case for those banks was a very strong one and I think the... the issue of contagion for those banks would have also been much, much less.

Deputy Michael McGrath: Sure. As you know in March 2011 the new Government did try again to impose losses on senior bondholders. You may not be aware of a paper from the National Treasury Management Agency at the end of March 2011 and they provided some indicative numbers whereby haircuts were proposed in respect of all the banks with total savings of over €9 billion on the remaining senior debt which was outstanding. How much do you believe could have potentially been saved if losses were imposed on senior bondholders?

Mr. Ajai Chopra: I am not familiar with that NTMA paper. But I think, you know, in... in my statement I mention that you know... I can't remember the precise date but you know... around the time the programme started there may have been about €16 billion outstanding on the senior bonds, unsecured... unsecured, unguaranteed. You know, as a rule of thumb, if you... if you discount those by half, you get about €8 billion which is several percent of GDP.

Deputy Michael McGrath: So do you believe that, with the support of the ECB, Ireland could potentially have saved up to €8 billion through burning bondholders?

Mr. Ajai Chopra: As I said, that's a rule of thumb that you know maybe you can... you can... you can get that amount through some sort of an exchange mechanism but one cannot be sure what... what price would have been struck at the end.

Deputy Michael McGrath: But that would have been a very significant contribution?

Mr. Ajai Chopra: I... I think it would have been a sizeable contribution, yes.

Deputy Michael McGrath: And then going back to the bailout negotiations themselves when the issue was discussed as well. We heard evidence from former Taoiseach, Mr. Cowen, and yesterday from the late Brian Lenihan's adviser, Alan Ahearne, that in the final analysis it had become clear there would not be a programme if the Government had insisted on proceeding with burning bondholders in the absence of support from the ECB in particular. Is that your understanding of the position at that time?

Mr. Ajai Chopra: Absolutely, yes.

Deputy Michael McGrath: There would not have been a programme?

Mr. Ajai Chopra: It would... it would have not been possible to agree a... well... I think it's best to go back to the quote from the late Minister Lenihan in his statement to Parliament on December 1.

Deputy Michael McGrath: Okay, thank you.

Chairman: Thank you very much. The next questioner is Deputy Kieran O' Donnell, Deputy.

Deputy Kieran O'Donnell: Welcome back to Ireland Mr. Chopra. I hope you enjoy your stay. Just going back, if Ireland had sought a bailout programme earlier than it did, would it have provided a better climate for negotiations and burden sharing?

Mr. Ajai Chopra: I think, you know again I come back to the broad principle that I've stated. It's better to come earlier and address vulnerabilities before those vulnerabilities really manifest themselves-----

Deputy Kieran O'Donnell: I am doing it in the context, Mr. Chopra, that - the Chairman has already alluded to it - but that by the time it came we were bounced into a bailout. So if we had-----

Chairman: We have to be correct on it. Mr. Chopra did not say we were bounced into a programme-----

Deputy Kieran O'Donnell: No, I am saying... I'm saying that you posed the question, Chairman. So posing it in that light, if we had gone earlier and gone voluntarily to the troika-----

Mr. Ajai Chopra: You know, I think... your previous question, the way, if I understood correctly, you were asking could this have had a material impact on the issue of burden sharing?

Deputy Kieran O'Donnell: Correct.

Mr. Ajai Chopra: I very much doubt that.

Deputy Kieran O'Donnell: Okay, and if the Irish Government had sought, at the time, to unilaterally impose burden sharing on bondholders on failed banks, Anglo Irish and Irish Nationwide Building Society, what would have been the implications? Would the world have fallen in?

Mr. Ajai Chopra: As I said, I think the case for imposing losses for the failed banks was a very strong one and I do not think the knock-on effects from that would have been serious.

Deputy Kieran O'Donnell: So if the Irish Government had unilaterally imposed, we'll say, burden sharing on failed banks, do you believe that a programme would still have been put in place?

Mr. Ajai Chopra: It depends on what stage that was done, I mean... again, this is requiring... requires me to speculate on something. It's a hypothetical that I don't feel that I'm in a position to be... to make any statements on it.

Deputy Kieran O'Donnell: Did... in your... when you arrived in Ireland, you were required obviously to study the guarantee that was put in place. Did the guarantee put in place put constraints on the possibility of burden sharing? What type of guarantee would you have had a preference to have seen in place at the time?

Mr. Ajai Chopra: You know... I think it's best to think of this in the following terms. When... when pre-programme discussions about, you know, the elements of a programme, when those started, the guarantee was in place, its structure was well known, it had been... it had been replaced by the ELG whose structure was also well known. So these were taken as given. They were taken as a starting point. So I think it's best to think in terms of those that have, you know, having been sort of baked in the cake already, and we just have to take that into account in... in the discussions and how that had consequences on when certain payments would fall due and so that's how it was taken into account.

Deputy Kieran O'Donnell: I suppose more particularly, Mr. Chopra, in terms of Anglo Irish Bank, if Anglo Irish Bank at the time of the guarantee had been separated from the herd, do you think it would have created possibilities for burden sharing at the time?

Mr. Ajai Chopra: You know, that is not something that I have studied in any great detail, so I think it's best that I refrain from answering rather than shooting from the hip.

Deputy Kieran O'Donnell: You made a comment in your opening statement ... just two aspects I want to take up ... do you believe that it's within the gift of the ECB at this moment in time to put in place measures to alleviate the tracker book burden on the Irish banks? What would be the benefit of that?

And, secondly, you made reference that the current construct around bank bailouts' funds in Europe is woefully inadequate.

Mr. Ajai Chopra: Right.

Deputy Kieran O'Donnell: You might just comment on both of those.

Mr. Ajai Chopra: Okay, yes. Again, I think on the tracker mortgages, I don't want to leave you with the impression that, you know, the ECB is the one ... the institution that is best positioned to handle this. Because, you know, the ECB could adjust its collateral requirements and some other aspects of its support, but I don't think those would make a very material difference and that could also affect perceptions about the health of the bank concerned, which in this case is primarily PTSB.

Deputy Kieran O'Donnell: Yes.

Mr. Ajai Chopra: But, you know, the point I was trying to make is that there are broader euro area wide credit enhancement schemes that should be considered, where, you know, an institution is ... that has low yield assets such as tracker mortgages on its books, where it can get lower cost funding by “borrowing” the balance sheet of a much stronger eurozone institution to lower its funding costs and these things could make a difference.

Deputy Kieran O’Donnell: Okay.

Mr. Ajai Chopra: If I remember right, one of the last IMF reports for one of our reviews looked at this issue and had some thoughts on what might happen.

Deputy Kieran O’Donnell: I have one final question - your thoughts on ... just one. Your thoughts on the ... I asked you about the funding that’s there in terms of bank bailouts in Europe. You said it was woefully inadequate.

Mr. Ajai Chopra: Right. The common resolution fund ... I mean there’s ... the single resolution board is in place. This relies on small contributions from banks. That is going to be built up over time. I don’t have the precise details with me, but I don’t see in the next several years at least if there was a very serious bank failure, I do not see how the funds that have been amassed within this resolution fund could make any material difference.

Deputy Kieran O’Donnell: And the final question, I suppose. You’ve spent the last four years in and out of Ireland.

Mr. Ajai Chopra: Yes.

Deputy Kieran O’Donnell: And looking into your crystal ball - and you spoke about boom and bust - what do you believe are ... where do you see Ireland going over the next number of years and what are the red and amber lights that should be, we’ll say, avoided?

Mr. Ajai Chopra: Again, I think some of this I’ve touched on in my written statement. I talked about the risks that have been identified. I think Ireland is right now in a pretty strong position. You know, it’s growing; it’s creating jobs; its funding requirements, fiscal funding requirements are small; but, at the same time, the balance sheets are still stretched, especially household balance sheets. Again that’s something that still needs to be addressed. Banks are healing, but are they completely healed? Not yet. So, you know, I think there is still more work to be done.

You know, in my opening statement and also my written statement, my bigger worry would be the wider eurozone issues right now. But I think you have to be careful that you don’t, you know ... property prices are rising and you have to be ready to use macro-prudential tools, be more, more ... fiscal policy should lean ... should be there to lean against the wind if there’s more ... if there’s significant overheating. So, I think you have the policy tools now and they should be used.

Chairman: Thank you very much. Deputy Eoghan Murphy, Deputy.

Deputy Eoghan Murphy: Thank you, Chairman, and thank you, Mr. Chopra. You are very welcome. I want to clarify something from ... its the terminology you use. When you talk about the view of IMF staff and you say things like “IMF staff” when you talk about imposing burden-sharing, are you talking about the view of the IMF representatives here on the ground or the view of the organisation, or is there a difference?

Mr. Ajai Chopra: There can be a difference.

Deputy Eoghan Murphy: Okay.

Mr. Ajai Chopra: As I said very early on in today's session, when I talked about the IMF's *modus operandi*, when you take a certain position, that's usually cleared by top management. So we, typically, when we take a position, we have the blessings of top management. So, I think, on burden-sharing, those were cleared positions.

Deputy Eoghan Murphy: The view of the IMF institutions?

Mr. Ajai Chopra: That those were the view. I wouldn't say that they were necessarily the views of the IMF board. I think, again, you've got many layers. You've got the IMF staff, you've got the IMF management - by "management", what we mean here is the managing director primarily, who is the head of the staff - and then you've got the executive board, which has representatives from the membership, the 24 executive directors. And I would not say that the IMF board was fully behind the management and the staff on burden-sharing. And you will see this in the context of the summing up of the ex-post assessment that was done by the IMF on Ireland. The ex-post assessment took a position on burden sharing very similar to what I've been saying, but if you look at the summing up of the executive board, that is much more lukewarm.

Deputy Eoghan Murphy: Okay, but it is fair to say that the management had a view in favour of burden-sharing.

Mr. Ajai Chopra: The IMF staff would not have been in a position to take the view ... positions that it did if it did not have the support of IMF management.

Deputy Eoghan Murphy: Okay. You say in your opening statement that you provided Ireland with a specialist lawyer to advise on burden-sharing. When was this?

Mr. Ajai Chopra: As Mr. Ó Ríordáin said in his statement in his evidence to this committee, this was in November 2010.

Deputy Eoghan Murphy: Yes, and how long did they remain?

Mr. Ajai Chopra: It was not long; it was just a matter of days.

Deputy Eoghan Murphy: It was just a matter of days, it was not through until March 2011. Okay, thank you.

You also say in the opening statement about the memorandum of understanding and how it intentionally leaves open the possibility for burden-sharing.

Mr. Ajai Chopra: Yes.

Deputy Eoghan Murphy: Did you communicate this to Fine Gael and Labour around the time of the agreement of the programme?

Mr. Ajai Chopra: I ... specifically, I cannot remember. And even if I did remember, I think that then gets into deliberations between us and the authorities and your Government.

Deputy Eoghan Murphy: Okay. But can you confirm that you were meeting with Opposition parties around the time of the agreement of the programme?

Mr. Ajai Chopra: Oh, absolutely, yes, that's very much in the public domain. We met with the Labour Party, we met with representatives of Sinn Féin and we met with representatives of Fine Gael as well.

Deputy Eoghan Murphy: Okay. Can you comment on whether or not you advised as to the possibility of burden-sharing at a later date - after an election, for example?

Mr. Ajai Chopra: I am not in a position to say anything on that matter.

Deputy Eoghan Murphy: Did you speak to ... after the actual election, it's been reported that you met with advisers from Fine Gael and Labour before a national coalition government was agreed and formed.

Mr. Ajai Chopra: You know, I met with advisers from both those parties many times, you know, starting in November. We made ... and I've also had some contacts either on the phone or again ... so ... this was a part of normal practice.

Deputy Eoghan Murphy: But you don't recall specifically seeking to brief Fine Gael and Labour advisers after the election and before the Government was formed?

Mr. Ajai Chopra: I cannot remember spec ...

Chairman: Excuse me, Deputy Murphy, maybe just clarify that a little bit - with an agenda, with regard to those parties being in government, going into government. If you'd maybe give some context to that. They would have had many meetings.

Deputy Eoghan Murphy: Sorry. Just to clarify, it has been written that after the election, prior to an actual coalition government being arranged, that you, on behalf of the IMF, sought out the coalition advisers on financial and economic issues -----

Mr. Ajai Chopra: Again -----

Deputy Eoghan Murphy: ----- to brief them and it's also been characterised that the IMF was a third partner, or the troika was a third partner in those negotiations.

Mr. Ajai Chopra: No. I think that is ... to say that the external partners were a third partner in the negotiation between coalition partners would be absolutely false. We would never do that, but I think it is fair to say - and you know this is just not in the case of Ireland, this is after an election when a new government is being formed - when a programme is already in place, it is incumbent on the IMF and its partners, as creditors, to understand what the platform and policy position of an incoming government might be because then we need to start thinking about, "Do we need to modify this programme?" "Where might we need to modify it?" And you know it's best to have the information, to understand what the new government might be thinking. So ... so having discussions of that nature, not just in the case of Ireland but in other countries as well, would be a part of the normal *modus operandi* but, again, without interfering in the political process. The issue here is understanding what position ... what the platform of an incoming government might be.

Deputy Eoghan Murphy: So, quite soon after the new Government was formed, the Government thinking ... Government understanding on burden-sharing was that it was going to attempt it again at the end of March 2011. So what was the IMF position at the time?

Mr. Ajai Chopra: Again, in my written statement I talk about what we understood to be the

new Government's position as it was preparing to announce the results of the asset quality review and the stress tests at the end of March, which was a programme requirement, and, in that context, the new Government was thinking about making a distinction between what it called the pillar banks and then Anglo and INBS. We thought that that made a great deal of sense.

Deputy Eoghan Murphy: Okay, so you were in agreement with that distinction and what followed from that in terms of burden-sharing.

Mr. Ajai Chopra: Yes.

Deputy Eoghan Murphy: Then, just to clarify two other things from your opening statement, one is in relation to the spillover risks which the-----

Chairman: Could you wrap up now, quickly, Deputy.

Deputy Eoghan Murphy: ----- thank you, Chair - which the ECB feared and you say that they were exaggerated. If you could comment just a little bit more on that, just so we can understand that because it's quite important in understanding why we didn't pursue burden-sharing but also, as well, you do give a figure in your opening statement of €16 billion around November 2010 but ... did the IMF make calculations prior to that period in time and what would that figure have been?

Mr. Ajai Chopra: Okay, let me answer the first part of your question. I think, you know, the best description of our thinking about contagion risks and how they might be handled was in the quote that I provided in my written statement. I quoted from a semi-independent, *ex-post* evaluation of the programme, done by the IMF staff, where the basic point that they made was that Irish senior unsecured bank bonds traded at levels consistent with clear anticipations of the principal cut, reflecting that some burden-sharing was anticipated and that also went on to discuss other mitigating mechanisms if there did end up being some spill over. So I think I would draw your attention to that rather than reading it out again.

On the amounts, you know, look, people at the IMF, we are all number crunchers. We do this all the time. So, you know, if you're asking had we been trying to crunch the numbers on these things earlier, that would be a part of our job.

Deputy Eoghan Murphy: And is there a file or is there a note for that?

Chairman: Deputy, I am going to have to move on.

Mr. Chopra, can I ask you if you can advise on the discussions, advices and analysis to ascertain the amounts required for bank recapitalisation of €10 billion - that's banking support of €25 billion and financing the State of €50 billion, which is a total of €85 billion in total. How were they formulated with the troika?

Mr. Ajai Chopra: Okay. I think some of this I have talked about already. I think the real interest here is the issue of the €35 billion. Now, you know, you've got to recall that at that point the Irish ... the Central Bank had already done a number of exercises, PCAR 2010, that had certain ... that had come to certain conclusions about the recapitalisation needs of banks but the issue was that that still did not have credibility. Actually, I think this has given me a quick opportunity to correct something ... to at least ... something that I have been saying, that I have said in my written statement. In my written statement I use the term "stress tests" a lot. I shouldn't have. The correct term really is asset quality review and stress test. The stress tests themselves

were a less important part of that exercise. The much more important part was doing this deep dive diagnostic about the true condition of the balance sheets - not about the capital needs, but the true condition of the balance sheets, the provisioning, the collateral, the quality of loans and so on, and not just the accounting of that. So, you know, so that was the real contribution, more than the stress test. So, as we thought about the financing needs the idea was to ... to be on the safe side on the recapitalisation needs so that there was enough confidence. So the way we approached it at the time was what would be the capital ratio that would convince markets, right? And this was at the time where the transition to the Basel III capital requirements was under way. So the thinking was "Let's link this to the Basel III transition". So Basel III at the time was already being seen as the norm by financial markets and it was also what was being achieved by banking peers in other countries. So we started with, you know, the 12% core tier 1. So ... and what was already done under PCAR 2010. But then we knew that there was the asset quality review coming and that might ... you know, that itself might come up with some additional needs. We didn't know what that would be. So the division of the ten and the 25 was, "Let's get to 12% early in the programme, even before the asset quality review." So that was ... to the 12%, sorry, so that's where the €10 billion was notionally allocated. These are notional amounts.

The 35 ... the total 35, was seen as a ceiling on what might be required in a worst-case scenario, right? Because, as I said earlier, augmenting tends to be difficult and also, remember, by putting in this number, we ended up giving Ireland a cash buffer. So it ended up being beneficial, you didn't need as much. But it gave Ireland a cash buffer that put it in a much stronger position to end the programme with this cash buffer and not need any follow-on assistance.

Chairman: Thank you. Deputy Joe Higgins.

Deputy Joe Higgins: Mr. Chopra, it was said that financial regulation and supervision in Ireland leading up to the crash were deficient and you may have uttered similar sentiments. Can you say what would your view be as ... the major deficiencies leading up to the crisis?

Mr. Ajai Chopra: Again, as I said in my written statement, this was so well covered by the Nyberg report and the Honohan report that I have ... you know, I'd have very little value to add beyond that. But, you know, maybe if I ... maybe this is a good occasion to actually talk about the IMF's own failings at that time because, you know, even the IMF, whose job it is to warn countries about the risks that they face and to warn the global economy of the risks that it faces, have ... fell short in the delivery of those messages. So the IMF provided few clear warnings about the risks and vulnerabilities associated with the impending crisis, not just in Ireland but also ... but also in other countries. So the banner message was one of continued optimism after more than a decade of good economic performance.

Deputy Joe Higgins: Okay. Thanks, Mr. Chopra. Mr. Chopra, on page 5 of your written statement to us, I quote, "For effective crisis management it is important to recognize past mistakes, identify and allocate losses quickly and equitably, and move on." Now the losses were certainly allocated quickly. Were the losses of the crash allocated equitably within Ireland?

Mr. Ajai Chopra: I think one needs to make a couple of points in this regard. Equity for many of the banks was wiped out. It was certainly wiped out for Anglo and a large portion, you know ... so you know, equity holders took substantial losses, right? And that's as needed. Sub-debt holders also took substantial losses and that was also entirely appropriate because they're next in line and sub-debt holders are risk ... you know, subordinated debt is risk-bearing. Where it might've fallen short, as we've said ... as I've said a number of times, is that there wasn't suf-

ficient burden-sharing with senior bondholders.

Deputy Joe Higgins: Okay. And in that regard, Mr. Chopra, why ... can I ask you why do you use the word “might”? Is it the case that international banks and financial speculators and bondholders operate in the capitalist financial marketplace, that the rules are that they make fabulous profits at times but if they gamble and the gamble goes down, they take the losses? But, in this case, is it true that the Irish people were burdened with those losses with terrible social consequences? How do you justify that as a part, and a leading member, of the troika?

Mr. Ajai Chopra: I think the important thing to keep in mind is that behind every profligate borrower, there’s often a profligate lender as well, and I do think that profligate lenders should have to bear losses.

Deputy Joe Higgins: But the Irish people, the vast majority, were not profligate lenders nor borrowers, but they were the one that was saddled with paying for those who were profligate - that minority, that elite. Is that moral?

Mr. Ajai Chopra: I would say that there were a number of profligate Irish borrowers as well.

Deputy Joe Higgins: But would you say that the vast majority of ordinary people were profligate?

Mr. Ajai Chopra: No, in the aggregate.

Deputy Joe Higgins: What does that mean, Mr. Chopra?

Mr. Ajai Chopra: Look, I’m obviously not in a position to say, you know, was borrower A profligate and borrower B wasn’t. The total tells you the aggregates.

Deputy Joe Higgins: Mr. Chopra, with respect, the evidence that we’ve taken here is of a number of banks giving massive and incredibly large loans to the tune of billions to individual land speculators and others. The evidence is that the majority of the Irish people were not involved, but they paid the price. I’m asking you is that morally justifiable.

Mr. Ajai Chopra: I have said... I’ve been on the record in saying that I think the Irish taxpayer did have to bear a disproportionate burden in the case ... in this case.

Deputy Joe Higgins: Mr. Chopra, when you arrived here to impose the troika programme, there was a widely used photograph which showed yourself and troika colleagues passing an obviously poor man who was begging and perhaps homeless. In the context of the programme that you implemented with the Irish Governments and in the five years since, are you aware that there has been a huge increase in families, especially mothers of young children, becoming homeless on a weekly basis? Can I ask you, Mr. Chopra, you presided over tens of billions going in to bail out the financial institutions and bondholders and, at the same time and consequently, the starvation of funds to social and affordable homes - is that justified?

Mr. Ajai Chopra: Deputy, as ... you know, we did meet with a wide range of social partners when we were here. We were very much aware of the distress being faced by many Irish households. You’ve got to understand that programme funding is not earmarked; even the earmarks that I talked about earlier between fiscal financing and the banks was a notional difference. The issue for us was to encourage the Government, as it was designing its fiscal consolidation measures, to be mindful of choosing measures that took equity and social hardship into account.

Now, were we fully successful in getting them to implement more measures to ... to ameliorate social hardship, I ... you know, that's ... that's for you to judge. These were choices that were made by the sitting Irish Governments at the time.

Deputy Joe Higgins: Can I ask you, Mr. Chopra-----

Chairman: Your time is almost up, Deputy.

Deputy Joe Higgins: Well, at the same time, Mr. Chopra, you say on page 9 ... you refer to the €16 billion of unsecured senior bondholder exposure. And it was the diktat of the troika that they would be bailed out by the Irish people. Do you agree that that would have built a lot of social homes if the priorities had been different? And my last question, Mr. Chopra, because I'm ... my time is up, you say on page 7 that there were ill-advised calls from some other European creditors for Ireland to raise its corporation tax rate. Mr. Chopra, why is it advisable to pile taxes and cuts on working people and poor people who carry no responsibility for the crisis but ill-advised to demand that big business should pay more taxes on profits?

Chairman: Thank you, Deputy. Mr. Chopra, a final reply and then I'm moving on.

Mr. Ajai Chopra: Yes, okay. The issue of the corporate income tax was one of ensuring that growth would not be ... be harmed by more than necessary given the choice of measures. The corporate tax was a central feature of Ireland's business model at the time, to the extent that a country has a business model, and even though there may be a good case to address this over the medium term, we did not think that this needed to be a part of the programme at that time.

Chairman: Thank you very much, Deputy Higgins. I'm going to go maybe to a short comfort break there at 11 o'clock. Just like television, we'll break for the 11 o'clock news. But just before that, if I can maybe just ask you one question, Mr. Chopra, and that is, if you can comment on a quote attributed to you, which is: "And on the financial side, regulation and supervision, which were deficient in the run-up to the crisis, have also been revamped." Was that your view on the major deficiencies in this area prior to the reforms?

Mr. Ajai Chopra: Chair, again, you know, as I've said a couple of times, I think the Honohan report and the Nyberg report addressed this much better than I could. What I can talk about is, you know, where the IMF has publicly acknowledged its own failings in this regard. And, you know, here I talked about this a little bit but I can give you a specific example. You know, even when the IMF staff identified some of the relevant risks, they did not provide a clear message about the need to address financial sector risks. This problem of mixed messages was very evident in our 2006 health check of Ireland's financial sector under the financial sector assessment programme, or FSAP for short. For example, the July 2006 IMF FSAP report said that, and I quote, "Irish banks' exposure to capital market funding at 30% of assets is amongst the highest in the EU", end quote. And it went on to point out that such funding is more sensitive to confidence than deposits and therefore is a less stable source of funding in times of stress. The report also highlighted risks to the Irish financial system arising from exposure to an overheated property market. But having pointed these things out, the IMF has been on record saying that the bottom-line conclusion - actually, it was really the top-line conclusion, because it was on page 1 of the report - was that, and again I quote, "The outlook for the financial system is positive, with financial institutions having sufficient cushions to cover a range of shocks and fighting the diversification of wholesale funding as a source of strength." So it should be no surprise that the IMF failed as well in this regard. So ... so I think this has been acknowledged in various IMF documents. So this was not just a failure in Ireland.

Chairman: Thank you. With that said, I'm proposing a five-minute short break and, in doing so, just to remind Mr. Chopra that he is under oath and to advise any person he might have with him. With that said, I propose that we return at 11.05 a.m. Is that agreed? Agreed.

Sitting suspended at 11 a.m. and resumed at 11.15 a.m.

Chairman: We will go back into public session, is that agreed? Agreed. And in continuing our questioning, I invite Senator Sean Barrett. Senator.

Senator Sean D. Barrett: Thank you, Chairman, and welcome again, of course, to Mr. Chopra. On burden-sharing, the Deauville declaration is the obstacle currently, is it? That the two big countries don't want to revisit these issues; they might do it in the future.

Mr. Ajai Chopra: I'm not quite sure what, exactly, you're getting out, Senator, but the Deauville declaration in, I believe, October ... I might not have the dates quite right. Although that, you know, there is a view that the declaration had very serious consequences for the way markets began to see sovereign debt. The empirical evidence on that is a little bit more muddled, so I'm not quite sure how, exactly, the Deauville declaration ... what precise role that it played. But I do think it's fair to say that, you know, following that, the design of the European Stability Mechanism tried to avoid the complications that might have arisen as a part of the Deauville declaration which focused on sovereign debt, not on bank debt.

Senator Sean D. Barrett: So is there scope for raising the burden sharing issue again at European level?

Mr. Ajai Chopra: Well, Senator, I think in the case of Ireland, these debts have been paid. But, you know, the issue of burden sharing is still very much a live issue in the context of the bank resolution and recovery directive that does include elements of burden sharing in the design of resolution. So that is now becoming a part of the European directives.

Senator Sean D. Barrett: In the evidence over the hearings here, Mr. Chopra, there were substantial skill deficits in banking, in bank auditing, bank regulation. How should those be addressed?

Mr. Ajai Chopra: I think those deficits were well identified in the Honohan and the Nyberg reports. You know, I don't think I'm in a good position to talk about how they should be addressed. What I can, sort of, make a brief remark about is that the Central Bank has certainly stepped up its own work on supervision by improving its staffing, by trying to change the culture within which bank supervisors operate. So I think there's been substantial progress on that front. And as I said in my opening statement, there is also, now, the single supervisory mechanism at the euro area level, which, I think, is a very positive step. It is one step but it's a very positive one. I think it begins to address issues of regulatory capture, which were quite evident in the Irish context.

Senator Sean D. Barrett: In the auditing of banks, how should that be changed to prevent a recurrence of what happened in Ireland?

Mr. Ajai Chopra: Senator, this is not an area that I am very familiar with. I think they are ... this is an ongoing issue on, you know, internationally, about the appropriate governance of banks, about compensation of bankers about what the regulatory structure should be, how much capital they should have, what the accounting standards should be. These are a part of the international debate and they are very much live issues. This is not something that I'm in a

position to be very specific about.

Senator Sean D. Barrett: In your international experience, we examined here an interface between finance and construction, the two sectors at the core of our problem, where a house price went from two and a half times average income to about 12. Is the problem short-term finance for a long-term asset or how ... what kind of ratios would you expect in some of the other countries you've examined?

Mr. Ajai Chopra: I think ... you've defined banking. Banking is raising short-term money and lending long term, and so that's what banks do. So, you know, that's why banks need to be regulated. Again, it comes back to having strong governance of banks, strong supervision, strong regulations. I am personally an advocate of leverage ratios which get around the problem of the risk rating of assets which can be gamed by bankers and accountants. So, by looking at leverage ratios you get rid of risk weighting and I'm an advocate of banks having much less leverage and much higher equity. I think that would be a very wise thing for banking systems around the world.

Senator Sean D. Barrett: Thank you very much, Mr. Chopra. Thank you, Chairman.

Chairman: Thank you very much. The next questioner is Senator Susan O'Keeffe.

Senator Susan O'Keeffe: Thank you, Chair. Mr. Chopra, you said that Ireland was adamant to repay its sovereign debt. Was that something unusual, and why were they so adamant?

Mr. Ajai Chopra: No, it's not unusual at all. I think when the IMF deals with countries, with a few exceptions, they typically do want to maintain ... no country wants to default on its sovereign debt or restructure its sovereign debt. Sometimes, they're forced by circumstances to do this, if you look at the current programme discussions in the case of the Ukraine, the IMF is having with the Ukraine, the debt restructuring there was something that, you know, even the country authorities feel was important, and that is something that is being supported by the IMF. So, it's ... we don't have good mechanisms for sovereign debt restructuring and this is something that the IMF is also working on. A few years ago, it floated the idea of a sovereign debt restructuring mechanism, SDRM, but it never really got off the ground. There are some other approaches that are being considered right now but I think, I think, you know, in hindsight, Ireland was certainly correct in wanting to, in wanting to meet its sovereign obligations.

Senator Susan O'Keeffe: When you talked about Mr. Mody's first phone call in February '09, and you say in your statement that there was further consultation, or conversation, perhaps, later in 2009 and, again, in 2010. And, indeed, Professor Honohan told us here about a phone call he'd received when he was in Heathrow Airport from Mr. Mody asking him whether or not, and he said, "Well, yes, maybe you should try it.", and Mr. Mody, I think, did - we are not clear entirely whether he phoned the Department of Finance or not. But the point I am making is not that you would necessarily know, but was that something that was agreed by the IMF as an approach to take to Ireland and why was the IMF, if you like, so keen? You kept coming back and back.

Mr. Ajai Chopra: Firstly, just, Mr. Mody visited Dublin in February 2009 so it is during the visit that the issue was raised, so it is not just, you know, phone conversations. You know, the IMF is in the business of crisis management and our experience has been that it's better to try to handle a crisis from a position of strength and to be prepared for it so it's incumbent on the IMF to make a country aware of what ... how it sees the vulnerabilities that the country is facing and

to make the country aware of how it could help.

Senator Susan O’Keeffe: Were you trying to get Ireland to face up to the seriousness of what was happening?

Mr. Ajai Chopra: I think the Irish knew what was happening was serious so I don’t think there is a question over there. You know, it had been making ... you know, it had taken a number of very assertive steps to try to deal with the situation so I don’t think there’s any issue about how serious the ... seriously the Irish were treating the situation. The issue was, was that the right time for them to seek external support or not.

Senator Susan O’Keeffe: And so, was the IMF disappointed that Ireland, if you like, you know, from 2009 all the way through to November 2010, before, because ... because Mr. Mody doesn’t just get on a plane and calls don’t keep being made unless there’s good reason, surely.

Mr. Ajai Chopra: Again, you know, I don’t want you to get the impression that we were out here, or on the phone or visiting Ireland to badger the authorities, no. You know, in my statement I cited three occasions. The three occasions are: the February visit by Mr. Mody, the Article IV consultation in 2009 which is a standard annual thing although it was missed in 2008 - so, again, that gives a natural opportunity to raise the issue - and then it was a whole year before the 2010 Article IV consultation for the issue to be raised yet again. So it is not like ... don’t get the impression that we were out here badgering the authorities to get into a programme.

Senator Susan O’Keeffe: Well, in fairness, I didn’t use the word “badger”; you did. I suppose “determined”, I think, was possibly what I was thinking. Given the letter that Mr. Trichet wrote, and you said, I think, in earlier evidence, that you had not seen the letter ‘til it was published, were you aware of the letter when it was written at the time because, obviously, it caused some consternation in the Irish camp?

Mr. Ajai Chopra: I was.

Senator Susan O’Keeffe: Okay. And can you tell us how you became aware and whether you raised it with the ECB at the time and made the very strong and firm views that you have made public now ... did you make those views known at the time?

Mr. Ajai Chopra: Look, the awareness of ... that a letter had been sent was just ... you know, was mentioned by the Irish authorities that they had received some ... a letter of this sort. No details were mentioned. Obviously, the ECB staff would have known the details. They would have been the ones drafting it for President Trichet. So we were aware and we were aware of its broad direction, but we were not aware of anything more than that. This was a confidential letter between two parties and it was not shared. You know, it was not revealed. It was not given to us by the ECB staff so there was ... there was no ... no discussion of it involving the external partners.

Senator Susan O’Keeffe: And that was prior to it being sent. Then after it was sent, when you had heard that it had been received, you, I assume, understood about the firmness of it. Did you then raise your concerns with anybody at the ECB and say, “Hoy, this is not the way to proceed”?

Mr. Ajai Chopra: At that point, we were not aware. I was ... I did not know the details of the letter. We knew of its existence but did not know. I mean, because ... on these sort of things you need to read them and see the tone. I was ... had not read it, did not know the tone ... did not

know its substance either so ... again, obviously, not in a position to ... would not have ... again, would not have been a position to have any discussions about it at that time.

Senator Susan O’Keeffe: Given the firmness of that letter and the tone of it, as you saw, would you say that it was a troika of equals or was the European, the ECB, if you like, stronger and tougher and more assertive in what it wanted for Ireland, and did that leave the IMF trailing behind?

Mr. Ajai Chopra: I have already said to this committee that, you know, in many respects the IMF did end up being a junior partner, not just in the financing - there was much more financing from European institutions. So, yes, the IMF was a junior partner.

And, you know, I also think there are governance issues for the IMF in the way the three parties operate. Normally, the central bank of a member country would not be on the side ... same side of the table as the IMF; it would be on the other side of the table, being the member country’s central bank. So, you know, there were a number of unusual features. Also, the way this ... you know, decisions are taken by the Eurogroup before they are taken by the IMF board. There was ... again, nobody wants to, sort of, come out in public with disagreements and we avoided that, and by taking that approach that does limit what the IMF can do. But, you know, having said all of that, I do believe that on some aspects the IMF staff were influential in the design of the Irish programme. We may not have won every battle but we won some significant ones.

Senator Susan O’Keeffe: Just a ... can I just-----

Chairman: Very quickly now, Senator, please.

Senator Susan O’Keeffe: On a ... if you like, on a scale of one to ten, but - it’s an unfair thing - how serious was the crisis in Ireland, given you’re own experience in the world and in the bank?

Mr. Ajai Chopra: This was a massive crisis. This was a massive crisis. Ireland had a banking system that was many multiples of its GDP. You know, as banking crises go, this was ... this ranks very high up there as one of the most expensive banking crises. So, you know, there’s no avoiding that this was an enormous crisis.

Chairman: For the record, four times, Mr. Chopra. Okay, Deputy Pearse Doherty.

Deputy Pearse Doherty: Go raibh maith agat agus fáilte. Can I ask you, just, in relation to your own role? You have been cited as the person responsible for the design of Ireland’s bailout programme. Is that accurate and if not, then who designed Ireland’s bailout programme?

Mr. Ajai Chopra: Look, you know, that is a phrase that is often used, and perhaps even by myself in my own biography, but I think it overstates things. As I said earlier, this was very much a team effort. But, I think, you know, the important thing is much of the programme was designed by the Irish authorities. The national recovery plan was put forward by the previous Government, and you know, as we have said, the subsequent Government modified a few elements of it but the fundamental structure remained.

I think, you know, even on the banking side, I think, we very much advocated doing an asset quality review because that’s not something that had been done in the previous PCAR exercise but, you know, once we advocated that, the Irish authorities were full force behind that. And then, you know, the actual design of that exercise, hiring BlackRock, doing that exercise was

purely Irish with us just, sort of, being on the sidelines. So I think a much more accurate description is that this was an Irish home-grown home-designed programme.

Deputy Pearse Doherty: Okay, thank you. Mr. Cardiff, when he came before the committee in relation to the troika negotiations, said:

And for the most part it was [a] negotiation between people with a more or less common view of the world. We might have differences of view, for example, on fiscal policy or on economic adjustments, but in truth the differences were small enough.

Would you agree or disagree with this statement from Kevin Cardiff?

Mr. Ajai Chopra: No, I ... I think Mr. Cardiff is spot on.

Deputy Pearse Doherty: Okay. I want to discuss the Government's four-year plan that you've referenced, which was published on 24 November 2010. If I can refer back to Mr. Cardiff's statement, he talks about this plan and the troika, and he says:

When the Government finally agreed the text we handed it then to the Troika; one of the IMF team was told to work through the night to produce a report [of] the Plan by the next morning. As we expected, the Troika were not dissatisfied with the Plan – in some ways it was more ambitious than they might have expected in regard to structural reform[s]. Of course there remained differences arising from differences in the economic forecasts, but the basic thrust was generally acceptable to them

Was the Government's own plan more ambitious than some of the troika would have expected?

Mr. Ajai Chopra: The Government's plan was comprehensive. It was ambitious. It was detailed. I think ... again I can speak only, on ... personally, my own view is that it was more ... it, it had more front-loaded fiscal adjustment than I, you know, than would have been my personal preference. So in that sense, it was, it was quite ambitious. Ireland's problems were never structural problems, apart from the structural fiscal deficit. It already had, you know, a dynamic labour market. It was not a ... it's not a distorted economy with, with lots of government ownership, so structural reforms were never front and centre in our view, as a part of addressing this crisis. It goes back to some comments I made earlier about, in my view, too much emphasis on supply-side policies and not enough emphasis on demand management. So, so you know ... and I do remember quite clearly the individual who had to stay up that night. He's a good friend and he did an amazing job in, in, you know, going through that and then being able to discuss it with the Irish authorities.

Deputy Pearse Doherty: Mr. Chopra, we know that during the period of the implementation of the plan ... and you mention yourself, for example, that the plan didn't achieve the Government entering the markets on time, as it was expected, that the bank recapitalisation was in excess of what was initially expected, but a buffer was there. And also, the growth rates over the period of the implementation of the plan didn't materialise and the country went into a double-dip recession. You've also been critical of the austerity-only option in the plan. The austerity-only option, was that ... did that hamper Ireland's recovery and deepen some of the impacts that may not have needed to be taken in terms of other options which were bondholders or stimulus to try and stimulate demand?

Mr. Ajai Chopra: Okay, a couple of things on this. I think, and I've said this before, Ire-

land did not have the luxury of not pursuing fiscal consolidation. Fiscal consolidation had to be undertaken. The structural fiscal deficit had exploded as a result of the crisis and, having lost market access, Ireland did need to demonstrate to markets that it did have a medium-term fiscal plan to address these deep-seated new problems that had emerged in its public finances. So that had to be done. One can debate how quickly that had to be done and I've given you my view on that front but, you know, let's not, let's not avoid the issue that it had to be done. It was also well recognised that the fiscal consolidation would be a drag on growth. We may have underestimated that drag on growth. The IMF has come out with, you know, lots of analysis on what we call the right ... the fiscal multipliers. I think, you know, the other issue that I've mentioned in the context of a monetary union is that, you know, there's the issue of the policy mix. Ireland might be doing a massive fiscal adjustment but it does not have its own individual country monetary policy offset. And let's not forget that, you know, in 2011 the ECB was actually raising interest rates, so you not only had a tighter fiscal policy but you also had a tighter, you know, a monetary policy that was too tight, given the conditions of the economy and again, so the drag on growth was significant.

Chairman: Final question, Deputy.

Deputy Pearse Doherty: Okay. In page 3 of your statement you succinctly put it in terms of what is crisis management and what needs to be done, and we have heard this from other witnesses, what is at the core of it, from other witnesses who appeared before ... or at least a witness who has appeared before this inquiry. And you say: "For effective crisis management it is important to recognize past mistakes, identify and allocate losses quickly and equitably, and move on." Now, many would say that the losses weren't allocated equitably. They were allocated on the shoulders of taxpayers. You talked about heroes of those that implemented the programme. I meet heroes every day. I meet parents who care for children with special needs, with less resources. I meet people working in the public sector - they're trying to care for individuals.

Chairman: Deputy, you're speechifying. A question.

Deputy Pearse Doherty: Can I ask you what role did you have? And do you believe it was fair that the allocated losses that were identified, which stemmed from the banking crisis were placed on the burden of the taxpayers of this country?

Mr. Ajai Chopra: I, I think one needs to put a sense of proportion on this ... on this point. Equity holders did bear significant losses, right. So bank equity was essentially wiped out and banks had to be nationalised. Sub-debt holders also suffered losses as they should have, as it was a risk-bearing debt. There's a small proportion of debt, at that point, that did not bear losses. In its quantitative magnitude, as I said, it looked pretty much the same as the amount of fiscal adjustment that had to be made, which made it very visible. So, in a given year, you know, if you're doing €3 billion or €4 billion of new fiscal measures and you're paying out €3 billion or €4 billion to the creditors, that complicates matters and deepens that sense of unfairness. And that was the situation that Ireland faced. But, you know, so that's serious, that's important, but it should not take away from the fact that equity holders and sub-debt holders did bear losses.

Deputy Pearse Doherty: So was it fair? That was the question.

Chairman: Senator Michael D'Arcy.

Senator Michael D'Arcy: You're very welcome. Thank you for coming. You said that the

IMF were a junior partner. Who was the most senior partner of the troika?

Mr. Ajai Chopra: I would not distinguish between the, you know, the two main, European institutions in this regard. They were both, they were both, you know, working in concert.

Senator Michael D’Arcy: One wasn’t more senior than the other.

Mr. Ajai Chopra: The, the ECB was a larger creditor. Now did that actually make it more senior? I don’t ... you know, that might be a stretch, but-----

Senator Michael D’Arcy: Okay. Page 17 of your opening statement, “Pace of bank deleveraging versus disposal cost”, Mr. Chopra. You state that:

A central issue was almost €160 billion of ECB financing, of which more than a third was [ELA]. That size of funding simply could not be obtained by asset sales or credit enhancements using program resource.

Could you address the issue of the deleveraging ... the bank deleveraging versus disposal costs? Because there is a concern at the moment that assets are being sold ... assets are being sold and bundled and are being purchased by very large equity funds. They are keeping them for a short period and flipping them, and having their profits, and yet the Irish taxpayers - as other members of the committee - are the people who are effectively being short-changed. Could you address that matter for me please?

Chairman: I am sorry now. You are stepping outside the timeline of the inquiry as well, so come back into that space please, Mr. Chopra.

Senator Michael D’Arcy: This happened during the timeline of the inquiry, Chairman.

Mr. Ajai Chopra: Senator, you know, again, I’m not in a good position to talk about the current developments in deleveraging. I’m just not familiar with what exactly is happening. What I can talk about is, you know, the way the issue was being thought of at the launch of the programme. There was no question that the Irish banking system, which had grown too large, needed to be reduced in size to make it, you know, so that the size of the banks’ assets were better aligned with stable funding sources. That needed to happen. Our view was that, obviously, fire sales would have been very damaging. It would have actually been counterproductive and we were not in favour of that and, obviously, the Irish authorities were not in favour of that. There was this ... there was, you know, on the ECB side, you know, having been such ... having become such a large creditor, you know, they were keen to see, you know, the deleveraging proceeds being used to reduce their own exposure. But, you know, as I did say in my written statement, fortunately, the ECB recognised that fire sales would have been counterproductive and they did not press for them, so the issue did get defused.

Senator Michael D’Arcy: Okay. Mr. Chopra, in Kevin Cardiff’s evidence, he said he ... the Irish people, that you lauded great praise upon, who negotiated with yourselves felt that the plan would not work and he also said that IMF staff felt the plan also would not work. Did you feel it would work?

Mr. Ajai Chopra: The Irish authorities were correctly concerned that the interest rate being ... that Ireland had to pay for its financial support was, you know, not ... was itself, you know, was very high and was something that, you know, was not aiding in making its public debt sustainable. So, in that context, I think, you know, the concern about attaining public debt sustain-

ability was very front and centre on ... in the minds of the Irish authorities. Even on the IMF side, and I think I talk about this in my written evidence, the issue of public debt sustainability was something that was of great concern. I mean, you know, we could not state at the outset of the programme that there was a high probability that Irish debt would be ... public debt would be sustainable. We were not in a position to do that and I go through the reasons for that; that, you know, there were uncertainties in the banks, there was uncertainty about growth, there were contingent liabilities and so on. So, you know, the objective of a programme is obviously to get growth and jobs going again, because once you get growth and jobs going, that helps bring down the debt over time, but, you know, we couldn't be sure that that would happen. In retrospect, it did happen and it happened quite smartly.

Senator Michael D'Arcy: At the time, did you think the plan would work?

Mr. Ajai Chopra: At the time, I was not ... we were not in a position to say that there was a high probability that Irish debt would be sustainable.

Chairman: In conclusion now, Senator.

Senator Michael D'Arcy: The Government paid off the IMF loans early because of the cost of the funds. Why did the troika not adjust the fiscal targets in line with the gains arising from the loan adjustments?

Mr. Ajai Chopra: Okay. Here, you know, my view is that the fiscal anchor under the programme was the nominal quantity of fiscal ... annual fiscal adjustment and adjustment over the four years. Right? This was €15 billion over four years; €6 billion in the first year and then phased after that. That, in my view, was the fiscal anchor under the programme. Now, what happens in the fiscal accounts, it gets hit by many different things, some that are beneficial, some that make things worse. The idea was that we would let automatic stabilisers work and that one would not seek offsetting adjustments on either side, you know, for positive shocks or negative shocks. And that was the principle that we applied and I think it was the right one. It gave stability to the amount of fiscal adjustment that needed to happen. It was transparent and to start trying to make adjustments and modifications to that because of various shocks, including the positive shock on the interest rates, I think would have been a mistake.

Senator Michael D'Arcy: And finally, Mr. Chopra, can I ask you was the Irish banking crisis home-grown or was it a ... as a result of international factors?

Mr. Ajai Chopra: I think it's always a combination, but predominantly home-grown.

Chairman: I'm going to start wrapping things up and I'm going to invite in two leads and then I'll make some concluding comments myself. So, Mr. Chopra, if there's anything else you want to add yourself, you're more than welcome to. But just on the earlier point there that Senator D'Arcy was pursuing with you on the way that the EFSF and the EFSM loans and the substantial extension of the maturities caused the IMF loans to become relatively expensive, would I be incorrect in assuming that the objective of a programme which - and there would be many obvious ones such as getting people back to work, stabilising the economy, dealing with structural deficits and so forth, but another part of the programme is that as the programme is being successfully worked through, that the burden would become lighter as well in that there is not a moral hazard that it gets tougher as you work through it, but that it would actually become easier? In that regard, was that a design flaw in the programme?

Mr. Ajai Chopra: Look, I can only speak to the IMF side of this and, again, I have given

you the details in my written statement. The IMF has a very standard practice in how it sets the interest rates on its assistance and that applies to every country that borrows from the IMF. That's the ... it's an international institution; that's the way it works. If it feels that debt is not sustainable, you know, that's when, you know, the possibility of debt restructuring does enter. In this case, it did not. Again, the Irish authorities did not want it and there was the systemic implication at the time. I think the way that IMF loans are structured, you know, initially the European partners more or less copied that approach. Now that, you know, but they quickly realised that, you know, that transplanting the IMF approach on its financial assistance to their ... to what's needed in a monetary union was not appropriate, so they adjusted the terms and I think they deserve full credit for doing that. The way that the IMF assistance was structured was to create incentives for repaying early, which Ireland has done. So, you've got to recall that, you know, that ... and as I've said in ... over the course of this evidence, you know, the IMF's involvement in a monetary union does create, you know, complexities that I think the IMF needs to think through.

Chairman: We might visit that as we conclude finally, so I'm going to invite the two leads back in - Deputy Phelan first and then Senator MacSharry.

Deputy John Paul Phelan: Thank you, Chair. Mr. Chopra, three areas I want to cover. Firstly, briefly, the flexibility allowed to a state that's under an IMF programme to renegotiate that programme. You indicated earlier that IMF looks at the bottom line, but is there a credibility test or, you know, what type of constraints are on that flexibility to renegotiate?

Mr. Ajai Chopra: You know, under an IMF programme, one needs to set objectives. All right? So, one needs to set and agree on these objectives and I think, you know, in the Irish context this was quite clear. It was, like, you know, improved financial sector soundness, address fiscal problems, get growth growing because, you know, without that, the other problems would just continue to be amplified, and to return to market access. Right? Now within that, the specifics of, you know ... there might be different routes to meet those objectives and, typically, IMF programmes give quite a bit of leeway to the country authorities in choosing those specifics to be consistent with those objectives.

Deputy John Paul Phelan: Okay. Secondly, on the exit from the programme, in your view, now, where you're in a position ... removed, I suppose, from the IMF - or not removed, but no longer working for them - that came out kind of wrong - was Ireland right to exit the programme when it did? And the issue of a backstop, which became a big talking point here in this country at the time - were there negotiations around that and what would the implications of such a backstop have been?

Mr. Ajai Chopra: I think the reports for the last couple of reviews did talk about those backstops and what might be available and what the advantages might be. My personal view is that the Irish authorities made absolutely the right decision. There was no need for any continuation of the programme; there was no need for getting these backstops. So my personal view is that they were not necessary and the Irish made the right decision. What ... where I think the emphasis should have been around that time was on changing the broader policy mix within the euro area. That didn't come about right away, but it came about soon after that.

Deputy John Paul Phelan: Briefly, then, one final point-----

Chairman: What were the implications if a backstop had been used? What would be-----

Mr. Ajai Chopra: If the backstop had been used ... well, you know ... well, first the backstop would have to be granted. You know, the ... If there were negative shocks that ... at that point, having the backstop would be an advantage. You wouldn't have to negotiate a new programme. So from that context, you know, it's sort of like insurance. But what the Irish chose to do was more or less to self-insure by building up their cash buffers. This is not unusual for countries to do.

Chairman: Deputy Phelan.

Deputy John Paul Phelan: My final point. On page 13 of your own statement, you state - and I want to quote it to you:

For its part, the IMF has acknowledged faults in IMF surveillance ahead of the crisis. For example, the 2012 Article IV staff report said: "Regulators - and the IMF in its surveillance role - failed to issue proper warnings as a vast commercial and residential property bubble inflated and bank assets grew to some 500 percent of GDP".

Firstly, has that process for IMF country reports changed? Secondly, we had Mr. John Beggs, former chief economist with AIB, in before the inquiry and he said the following in relation to IMF and OECD country reports:

There was a lot of influence brought to bear on those reports before the publication by the Irish side. I mean we all met the IMF and the OECD when their missions came to Ireland.

Mr. Ajai Chopra: Okay. I think I've already talked about the flaw. I've given you a specific example of where IMF surveillance fell short when I talked about the mixed message from the 2006 financial sector assessment, right? So I think the IMF has acknowledged that. Now, is there a political dimension to that? Because, you know, you've got to understand that we come here, we talk to a range of people, including the country authorities, and if we're hearing from the country authorities that "Yes, there are these risks but, you know, we're managing them," that did have ... that does and did have an impact. I do think, having learned from its previous mistakes, IMF staff have become much more questioning. There's no ... In the past, OECD reports, I know, were somewhat negotiated documents. IMF reports are not. I mean, if there's a change to an IMF report before its publication, there are very strict criteria. They have to be factual errors or something has to be market-sensitive or there has to be some evident ambiguity. So those reports were not watered down from that ... from that side, but what one was hearing from the Irish side naturally had an impact. I mean, there was groupthink - something identified in the Honohan and in the Nyberg reports. The IMF got captured in that groupthink.

Chairman: Senator Marc MacSharry.

Senator Marc MacSharry: Thanks very much. Just a quick one, Mr. ... to start there. You said about how you would have preferred a longer consolidation period on the fiscal adjustment. You said that this was being pushed from the Government. Maybe we were too optimistic in that regard. Were the ECB and the EU Commission prescriptive in their ... in their view of the length of time?

Mr. Ajai Chopra: I think I said in the ... my written statement that the ECB was particularly hawkish on the fiscal side. They would have liked much more fiscal adjustment up-front. The Commission was driven primarily by the constraints of the SGP rather than the economic requirements of the country, but to their credit, they did, you know ... just before programme

discussions were concluded, they did give the green light to extend the excessive deficit procedure deadline to 2015, which was-----

Senator Marc MacSharry: By one year, isn't that right?

Mr. Ajai Chopra: By one year.

Senator Marc MacSharry: Yeah, okay. So can you give us an example of ... I know you've said already this is the worst case in history or certainly up there. Can you give us an example of where burden sharing was implemented and it had a positive outcome?

Mr. Ajai Chopra: It was implemented in Iceland. There's a debate about its positive outcome, but my view is that it did have a positive outcome.

Senator Marc MacSharry: Okay. While you weren't ... while you didn't have any involvement in what I'm about to ask now, we are interested in your view. In providing the guarantee to the banks in 2008, did this action by the Irish Government serve to stabilise the eurozone at the time?

Mr. Ajai Chopra: Senator, it's not something that I have studied in any detail so I don't want to venture an ... an answer.

Senator Marc MacSharry: Okay. We spoke about ... and you said to ... in answering, I think, to Deputy Doherty that the Irish taxpayer had to shoulder a ... a disproportionate amount of the burden, I think were your exact words. With this in mind, and in your personal capacity and your experience, rather than as a former IMF employee, would you say it is fair and reasonable that the EU apply concessions to alleviate the debt burden on the Irish people?

Mr. Ajai Chopra: The way I would put it is that ... I wish that the direct recap instrument that the euro area put together was something that could have been applied for Ireland retroactively.

Senator Marc MacSharry: And, of course, that option still exists, does it not?

Mr. Ajai Chopra: I guess in some dimensions yes, it might.

Senator Marc MacSharry: Thank you very much.

Chairman: I'm going to bring matters to a conclusion, Mr. Chopra, and maybe if I can just ask you one question and then we'll start looking towards the future. As an EU member, was Ireland ... which ... where Ireland was tied to the European Union and the European Central Bank for assistance, would you care to comment upon the suggestion that Ireland possibly suffered as a result of their inexperience in rescue programmes and, in that regard, did the IMF assist the European Union and European Central Bank in helping them establish themselves into this new role, which was very much virgin territory for them?

Mr. Ajai Chopra: I think that's a fair statement.

Chairman: Okay, and what was the processes and dynamics of the learning that they had to have in that regard?

Mr. Ajai Chopra: You know, this ... I would say this was ... this was primarily through observation. This was ... through need and ... you know, it sorted of happened in a sense by deliberate action by the ECB and the Commission by going out and hiring other people, by ...

by examining IMF procedures, by learning on the job.

Chairman: And, in that regard, because all organisations - yourselves, the ECB and the European Union and so forth - would have had kind of cultural histories as regard to what their priorities were, the European Central Bank's priority would have been the stabilisation - or the instability, or the threat of it - of the euro and the eurozone. Did that have an impact with regard to how they would then look at a single country, and in this situation, Ireland?

Mr. Ajai Chopra: Yes, I think that does have an impact. If I might just add one thing to my previous answer, and that is, I think, in terms of the programme technology for design and monitoring, the ... they're now at the point where the IMF has no particular advantage over eurozone institutions.

Chairman: And finally - because part of the work of this inquiry is not just about looking at the past but also looking into the future and making recommendations, whereby, to the best of our ability, we don't have this type of crisis revisited upon us, as a country and as citizens, again - in the European Commission's *ex-post* evaluation of Ireland's bailout programme, it is stated that substantial fiscal consolidation efforts still need to be made in the post-programme period. And, in your opinion ... and there of kind of two key points here: what are the critical targets, being the one first, that should be set; and what are the principal measures, being the second one, still to be taken?

Mr. Ajai Chopra: This is, again, something that I addressed in some detail in the context of my written statement but just to summarise - firstly, I think it's ... kudos to Ireland for having strengthened its financial institutions. I think you've got a first-rate Fiscal Advisory Council, with very able people. They've established credibility quickly and they produce excellent reports, and I think they've improved the quality of the fiscal debate. Also, the Department of Finance, you know, its medium-term budgetary framework, I think is, you know, again an excellent document. So, the fiscal framework and fiscal institutions are much better. Ireland is now emerging from the excessive deficit procedure but it still has a structural deficit according to the IMF in their latest post-programme monitoring report. This is a deficit of ... a structural deficit of 1.5% of GDP. I would support my former colleagues in recommending that Ireland attempt to ... should aim to achieve structural fiscal balance, so fiscal balance over the cycle and if that is the goal - and your structural deficit right now is 1.5% of GDP - I think doing a 0.5% adjustment over, you know, the course of three years so that you get to balance by 2018, is a very reasonable target. Yes, it will have headwinds for growth but Ireland is growing strongly. This is the time to do the fiscal consolidation.

On the measures, I think, you know, again, all I will say is that, you know, it shouldn't be ... I think it needs a combination of revenue and spending measures. Capital expenditure and maybe social expenditure have been pushed down too much. So, you know, these should be looked at. I'm less familiar with the details on this but the general principle is both spending and revenue should be on the table.

Chairman: Thank you, Mr. Chopra. Is there anything you would like to add by means of closing comments or final remarks?

Mr. Ajai Chopra: The only thing I would want to add is that this committee, I think, is doing very important work and I think it is testimony to the seriousness with which the Irish people and ... take the experience of this banking crisis in wanting to learn from it. And I wish you well in your endeavours, I think it's very important what you are doing.

JOINT COMMITTEE OF INQUIRY INTO THE BANKING CRISIS

Chairman: Thank you very much, Mr. Chopra, for those very, very kind comments. Just to acknowledge a couple of items I said at the opening of this morning's session. First of all, you are here as a voluntary witness, being under oath, and you do have the engagement and the responsibilities that come with that. But there was a lot of work put into getting you here today and I very much appreciate your assistance in that regard, but I do think it is a reflection, as I said earlier, of whatever ... one hour of public hearings that we have here, there are hours and hours of work done behind the scenes and I'd like to particularly compliment the investigation team in that regard and also with regard to Mr. Buti who is coming in. But I just think it is one, sort of, example of something that the public actually doesn't get to see ... the type of work that's done in supporting this committee in ensuring that witnesses like yourself are here before us. With that said, I now propose that we bring this matter to a conclusion, that we thank Mr. Chopra for his participation and his engagement with inquiry. We will suspend until 11 ... or, sorry, 12.15. if that is possible - for about 15 minutes, okay, and we will resume then with Mr. Buti.

Sitting suspended at 12.05 p.m. and resumed at 12.28 p.m.