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Oireachtais
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Joint Committee of Inquiry into the Banking Crisis

Further Clarification Statement of

Liam O` Reilly

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

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

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

To: Deputy Ciaran Lynch TD

From: Liam O'Reilly

Joint Committee of inquiry

into the Banking Crisis

Leinster House

Dublin2

15 October 2015

Dear Chairman,

The following addresses the questions in your letter of 2 October 2015. This letter of reply should be read in the context of the previous written and oral evidence already provided by me to the Inquiry.

1(a) Who of the CBFSAI representatives promoted the view of a soft landing during the Roundtable meeting? And b) Was the promotion of this view part of the official presentation given by the Central Bank on the housing market or was this mentioned in conversation

The roundtable meeting was called at the behest of the CBFSAI to discuss the Financial stability Report 2004. As the minutes of the meeting state: "The round-table format was chosen to promote a constructive and open dialogue with the credit institutions on the important issue of Financial Stability"

The press release issued in September 2004 with the Financial Stability Report stated:

"Our expectation, based on our assessment of the risks facing both the household and non-financial corporate sectors, as well as the current shock absorption capacity of the banking system, is that its current state of health should not be compromised over the medium-term horizon."


It also stated: “From our examination of financial stability issues, the risk of an unanticipated and sudden fall in residential property prices, accompanied by an increase in the default rate among mortgage holders, is the risk that poses the greatest threat to the health of the banking system. However, the shock absorption capacity of the banking system is currently adequate.”

In my view , these expectations expressed in the Financial Stability Report are reflected in the minutes by the use of the phrase “soft landing”. I am unable to state whether this phrase was first uttered at the meeting or,whether it was current at the time. The Financial Stability Report and its expectations were not being “promoted”.

An important purpose of the meeting was to emphasise the inherent risks in the system. These inherent risks were well rehearsed in the Financial Stability Report and were repeated at the meeting, for example as quoted from the minutes:

“Dr O’Reilly’s opening address emphasised the need for adherence to strict lending standards. Dr O’Reilly said that lending standards in the the commercial property sector were as important as those in the residential market. The key risks were over-optimism with respect to the macro economic situation, by not taking sufficient account of the downside risks. “

Yours Sincerely

A handwritten signature in black ink, appearing to read 'Liam O'Reilly', written over a light blue horizontal line.

Liam O’Reilly