



Tithe an  
Oireachtais  
Houses of the  
Oireachtas

# **Joint Committee of Inquiry into the Banking Crisis**

**Clarification Statement of**

**Patrick Honohan**

**Strictly Private & Confidential**

As indicated on its cover page, the document(s) contained within are confidential unless and until the Joint Committee decides otherwise including where the Joint Committee publishes such document(s). For the avoidance of doubt, "documents" include witness statements in this context. Further to section 37 of the Houses of the Oireachtas (Inquiries, Privileges and Procedures) Act 2013 ("the Act"), while the documents remain confidential, you must not disclose the document(s) or divulge in any way that you have been given the document(s), other than:

- "(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."<sup>1</sup>

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.

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



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Ciarán Lynch T.D  
Chairman  
Joint Committee of Inquiry into the Banking Crisis  
Leinster House  
Dublin 2

19 October 2015

Dear Deputy Lynch,

The question raised in your letter dated 2 October 2015 would appear to be premised on the assumption that there has been an absence of investigations into financial institutions other than Irish Nationwide Building Society (“INBS”) by the Central Bank. This was a point made with some force by John Stanley Purcell in his evidence to the Joint Committee of Inquiry into the Banking Crisis. It is also a point that Mr Purcell and Mr Fingleton are presently making in judicial review proceedings they have brought against the Central Bank to restrain it from inquiring into their alleged participation in the suspected commission by INBS of certain prescribed contraventions relating to commercial lending and credit risk management processes at INBS between 1 August 2004 and 30 September 2008. Those proceedings are currently before the Courts and, as such I am somewhat constrained in terms of what I can say.

The assumption that the Central Bank has not investigated other financial institutions is incorrect.

When the Central Bank investigates financial institutions a number of avenues of enforcement may present themselves. For example, it might refer the matter to Inquiry or settle the case under the Administrative Sanctions Procedure, it might proceed by way of a fitness and probity investigation in respect of a person(s) in a controlled function(s) or a referral might be made to the Gardaí (as required in certain instances by Section 33AK of the Central Bank Act 1942 (as amended)).



A number of other investigations into financial institutions have been carried out by the Central Bank. These include, which is a matter of public record, the investigation into Anglo Irish Bank Corporation Limited (now known as IBRC) and persons concerned in its management. This investigation resulted in a notification from the Central Bank to the Gardaí and the Office of the Director of Corporate Enforcement in relation to suspected criminal offences. As set out in the Central Bank's public statement on 3 June 2011 and Annual Performance Statement (Financial Regulation) 2014-2015, copies of which are enclosed for ease of reference, the Central Bank's investigation was deferred because of criminal proceedings which are ongoing. A referral was also made by the Central Bank to the Gardaí in relation to the back to back loan transactions entered into by Anglo Irish Bank Corporation Limited and Irish Life & Permanent plc. In addition to these referrals to the Gardaí, the Central Bank has also conducted a number of Administrative Sanctions Procedure investigations into financial institutions and entered into public settlements with, for example, Irish Life & Permanent plc in 2009, Allied Irish Banks plc ("AIB") in 2010 (two cases) and 2013 and Bank of Ireland Mortgage Bank in 2012. The settlement entered into with Irish Life & Permanent plc concerned a failure of internal control mechanisms in relation to regulatory reporting requirements. The settlements with AIB concerned a failure in systems and controls resulting in overcharging of customers, the updating of insider lists under the Market Abuse regulations and breaches of liquidity reporting requirements. The settlement with Bank of Ireland Mortgage Bank concerned a breach of the statutory cap on credit transaction assets and a failure to have adequate internal controls to ensure compliance. I enclose copies of the relevant public statements issued by the Central Bank on these cases. Finally, in addition to the referrals to the Gardaí and the Administrative Sanctions Procedure cases referred to above and as explained in the Central Bank's Annual Reports 2011 and 2012, the Central Bank also conducted a review in 2011 of the fitness and probity of all sitting directors of the six banks and building societies covered by the State Guarantee. Again, I enclose relevant extracts from our Annual Reports for ease of reference.

Please note that details of the above investigations including the associated public statements, in addition to further details regarding enforcement actions taken up to 2013 and information on Central Bank policies and procedures regarding investigations and enforcement up to 2010, were previously provided to the Banking Inquiry on 31 March 2015 in response to items 12 (second, third and fourth indents), 13 and 25 of the statutory direction issued by the Banking Inquiry to the Central Bank.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'P. C. ...'.