Sharon Donnery: Remarks - Financial Industry Forum

Remarks by Ms Sharon Donnery, Deputy Governor of the Central Bank of Ireland, at the Financial Industry Forum, International Subgroup, Dublin, 28 March 2024.

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Good afternoon everyone,

Welcome to the Central Bank for the Financial Industry Forum International Subgroup. This is our third meeting and today marks the one-year anniversary of the creation of this subgroup.

Last year we covered good ground in our discussion. At our meeting in September, you, as industry members, brought forward your perspectives on Supervision of the International Financial Sector and we look forward to hearing more of your views and perspectives over the course of our meetings in 2024 and beyond.

We have a good agenda today, opening with a discussion on our new Regulatory and Supervisory Outlook (RSO) report – which sets out our view of risks and priorities for the financial sector for the period ahead. For the second session, which industry members of the subgroup will lead, we will discuss the next 10 years of Financial Services and Regulation. And finally we will discuss developments at EU level following the recent Eurofi in Ghent.

I would like to set the scene for today's meeting with a few opening remarks – particularly on the development of our financial sector and our current work transforming Regulation and Supervision in the Central Bank.

You will note from the RSO that this second point is one of our priorities for the year ahead. And indeed, as Peter will outline, the RSO itself is an example of how we are transforming – taking a more integrated view of risks, and being more open with stakeholders on our thinking and our plans.

To take a step back, as you are aware Transforming Regulation and Supervision is something we have called out in our Strategic Plan – that in the face of a rapidly changing world, and in particular the pace of change and growth in our financial sector, it is necessary to transform our approach to ensure we are not just doing our job now, but are set up in a way to do it sustainably into the future.

And there is no doubt that Ireland's financial sector has undergone rapid change in recent years, with some of the highest rates of growth occurring in the most complex parts of the system – not to mention the increasing internationalisation of our financial sector, which this subgroup will only know too well.

To put this in context, I thought I would set out a few examples to illustrate the growth our sector has undergone in the last 7 years:

- While there has been some consolidation in the number of retail banks, total assets are still growing. We have also seen a 5-fold increase in the assets held by

investment banks, with two additional Globally Systemically Important Banks making Ireland their European HQ.
- The number of Payment and E-Money Institutions regulated by the Central Bank of Ireland has tripled in the last 7 years, with a more than 10-fold increase in safeguarded funds.
- We have gone from having just 2 international trading venues to now having 7; and the number of complex trading firms has tripled to 9 – with the size of that sector in terms of assets having grown more than 500% since 2016.
- The vast majority of assets and liabilities of the Irish financial Sector are cross-border – and have been for a long time. In 2022, around 85% of the assets of the financial sector in Ireland were cross-border in nature. While this is in part down to the large international funds sector resident in Ireland, this dynamic is also increasingly evident in banking, insurance and payments. For example, the share of total payments transactions that are cross-border inature almost tripled between 2014 and 2022 in volume terms.

This is a huge success story, and is something we will touch on later in our second agenda item.

But being an international financial centre also comes with international responsibilities. It involves a significant commitment to regulation and supervision – including actively engaging with the EU and International Policy agenda – which we spoke of at our last meeting – as well as supervising institutions on behalf of, and in cooperation with, other jurisdictions. It also rightly comes with international scrutiny – be it the IMF's FSAP, or other Central Banks wanting assurance that their citizens are being protected when served by Irish based firms.

We embrace this responsibility. And, along with our core domestic mandate, this why we place such importance on the proper and effective regulation and supervision of the financial sector.

And so this growing sector and these growing responsibilities are part of the context of why we need to transform our approach to regulation and supervision – and why we are focused on delivering this over the coming year.

To mention just some areas we have made progress on in the last 18 months or so:

- I am particularly happy with the step change we are delivering in our external engagement, ranging from industry engagement – such as this one – being open to hearing a wider range of views, focusing on clearer communications, and an improved authorisations process for firms – in particular more transparency and clearer expectations.
- We have recently closed our innovation consultation, including proposals for a sandbox, and the team are working through the response received. We expect to publish our feedback statement in May.
- We have improved our F&P system, delivering benefits and efficiencies for both industry and the Bank – reducing the processing time for Individual Questionnaires (IQs) from 36 to 24 calendar days, in part through facilitating improved applications (with a 50% reduction in those returning incomplete). We also plan to publish an Authorisation and Gatekeeping report in

the coming months setting out publically our priorities and expectations and how we are evolving our approach.

- We are taking a more integrated view of risks and priorities, with the external version of that work the Regulatory and Supervisory Outlook we published last month.

In addition to these, as I said we are involved in a transformative piece of work around enhancing our supervisory framework – such that it becomes more data-driven, agile and scalable. This involves improving the tools and technologies supervisors have, and it involves delivering a more integrated approach to supervision – both of which we expect to deliver real progress on this year.

With a busy agenda ahead, I will leave it at that. I look forward to today's discussion and will hand over to Peter to introduce the first topic.