



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem



Brexit –the end of the beginning?

Presentation by Deputy Governor, Ed Sibley at DCU Brexit Institute
30 October 2019

Agenda

- Introduction
- Central Bank's approach to the UK's departure from the European Union (Brexit)
- Economic risks
- Preparedness of the Financial Services System for Brexit
- Looking forward
- Some positives?
- Conclusion



Central Bank and Brexit

- We have been serving the public interest by working on the risks arising from Brexit since before the UK referendum – the first report from our Brexit Task Force was produced in 2015.
- Our work has been delivered in a transparent way, focused on:
 - assessing the risks to the Irish economy, financial stability, consumers and investors (see Annex for details of some of the research published);
 - mitigating those risks by driving regulated financial services firms to be prepared for the UK leaving the EU without a deal (a ‘hard’ Brexit);
 - working with the Department of Finance, Oireachtas and with European authorities to implement policy and legal changes to mitigate systemic risks; and
 - delivering our gatekeeper role effectively, efficiently, transparently and pragmatically.



Risks to the Economy

- Quarterly Bulletin 4 of 2019 – two forecasts: Deal and No-deal.
- In the event of a disorderly, hard Brexit, the key channels through which the economy will be affected will be through shocks to the exchange rate, trade, consumption and investment.
- Most of the impact on growth and demand would be felt in 2020, with the impact on employment lagging slightly in term of timing.
- In the event of a deal, GDP growth is expected to be 5 per cent in 2019, 4.3 per cent in 2020 and 3.9 per cent in 2021.
- In a no deal, GDP growth is expected to be 4.7 per cent in 2019, 0.8 per cent in 2020 and 1.9 per cent in 2021.
- The introduction of tariffs in the event of a hard Brexit would acutely affect the agri-food sector.





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Quarterly Bulletin

QB4 – October 2019

The outlook for the economy differs under a Brexit deal and no-deal scenario.



*Gross Domestic Product.

centralbank.ie/QB



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Financial System readiness

- It is imperative that financial services firms should continue to be able to serve the Irish economy, Irish consumers and investors in the event of the UK leaving the EU.
- We have been engaging with regulated financial services firms since before the referendum to drive preparations. The majority of Irish authorised firms (banks, insurers, investment firms, etc.) have taken action to prepare.
- We are satisfied that the Irish financial system is, overall, resilient enough to withstand a hard Brexit.
- However, not all 'cliff edge' risks are fully resolved – any additional time should be used to address them.
- 100+ firms have been authorised or approved to significantly expand their operations in Ireland to allow them to continue to serve EU customers.



Financial System readiness

- Firms will not be able to 'passport' services from the UK and Gibraltar to customers in Ireland or elsewhere in the EU in the event of a hard Brexit. Further, the close connections between the UK and Irish systems mean that some 'cliff edge' risks of a hard Brexit remain. Frictions, costs and some reduction in supply of financial services from UK and Gibraltar based firms are inevitable.
- We continue to engage with European, UK and Gibraltar supervisory authorities to ensure firms providing financial services into Ireland after Brexit are taking action to mitigate these risks and are communicating with consumers.
- Affected consumers should have heard from their service provider by now about what will happen after 31 October. If in doubt, concerned consumers should contact their providers. More information is available on the Central Bank website (www.centralbank.ie).
- We have worked with the Department of Finance to develop the temporary run-off regime for insurers and insurance intermediaries that have not been authorised in another EU country. This will allow for the orderly run-off of insurance policies but firms will not be able to write new business.



Looking forward

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Brexit



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Johnson Bid for Election Defeated in Parliament: Brexit Update

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EU agrees Brexit extension until January 31st, 2020

Earlier departure possible should UK parliament ratify separation deal



Donald Tusk @eucopresident

23h

The EU27 has agreed that it will accept the UK's request for a #Brexit flextension until 31 January 2020. The decision is expected to be formalised through a written procedure.



Guy Verhofstadt (@guyverhofstadt)

Relieved that finally no one died in a ditch. Whether the UK's democratic choice is revoke or an orderly withdraw, confirmed or not in a second referendum, the uncertainty of Brexit has gone on for far too long. This extra time must deliver a way forward.

October 28, 2019

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Business Brexit

Disastrous UK crash-out off as Johnson given a 'flegtension'

British prime minister grudgingly accepts Brexit delay despite his 'dead in ditch' vow

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Brexit

agree to flexible extension

Senior figures sacked from People's Vote campaign

Brussels close to agreeing Brexit extension until January

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EU agrees to Brexit 'flegtension' until January 31

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UK to destroy limited edition coins after Brexit delay

Looking forward

- Probably three phases to Brexit:
 - 1) the Withdrawal Agreement (agreed but not ratified);
 - 2) the Transition Period (which could still end in a 'no deal' departure) and
 - 3) the longer term relationship between the UK and the EU.
- Ultimate outcome still uncertain. While we may be reaching the end of the beginning, a 'hard Brexit' is still sufficiently plausible to require planning for.
- Proposed departure agreement outlines probable increased divergence and increasing complexity in cross border trade across range of sectors – i.e. even if ratified current proposed deal will have economic impacts and affect the provision of financial services across the EU.
- Important that Ireland continues to invest in and enhance its approach to influencing future direction of EU policy.



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Some positives?

- Work of many (e.g. Central Bank, Department of Finance, Oireachtas, Individual Firms) has delivered strong level of preparedness for significant potential shock – building on work of last decade of improving resilience of the financial system.
- Reinforced drive for European regulatory and supervisory convergence – Ireland has played an important and recognised part in this.
- Accelerated supervisory work in certain areas, and enabled the Central Bank to consider some issues on a first principle basis in others.
- Extensive and useful test of crisis management arrangements.



Conclusion

- Recognise work of many to prepare for a potential hard Brexit. Further work still required by all to reduce risks arising from the UK's departure.
- Central Bank has been delivering on its mandate to serve the public good by ensuring that financial services firms can continue to be able to serve the Irish economy, Irish consumers and investors, however the UK leaves the EU.
- Hard work needs to continue, ensuring that we remain sufficiently focused on wider implications of Brexit, and changing European dynamics – work of DCU Brexit Institute and the 'BRIDGE'* initiative are welcome in this work.



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* BRIDGE (Brexit Research and Interchange on Differentiated Governance in Europe) is a three-year (2019-2022) Jean Monnet Network funded by the European Union's Erasmus+ programme.

Further information.... www.centralbank.ie/brexit

- Brexit FAQ – Financial Services Firms
www.centralbank.ie/regulation/how-we-regulate/brexit-faq
- Brexit FAQ – Consumers
www.centralbank.ie/consumer-hub/brexit-faq---consumers
- Brexit - Ceisteanna Coitianta do Thomhaltóirí
www.centralbank.ie/ga/tomhaltoiri/brexit---ceisteanna-coitianta-do-thomhaltoiri
- Brexit Task Force Reports
<https://www.centralbank.ie/publication/brexit-task-force-reports>
- Letter to UK credit institutions on the withdrawal of the UK from the EU (August 2019)
[https://www.centralbank.ie/docs/default-source/regulation/consumer-protection/dear-ceo-letter---withdrawal-of-the-united-kingdom-from-the-european-union-\(003\).pdf?sfvrsn=9](https://www.centralbank.ie/docs/default-source/regulation/consumer-protection/dear-ceo-letter---withdrawal-of-the-united-kingdom-from-the-european-union-(003).pdf?sfvrsn=9)

External Sources

Financial Stability Group: Minutes of Meetings

<https://www.gov.ie/en/collection/35a5a2-minutes-of-fsg-meetings/>

EIOPA: Opinion on disclosure of information to customers about the impact of the withdrawal of the United Kingdom from the European Union

<https://eiopa.europa.eu/Publications/Opinions/EIOPA-BoS-18-119-Opinion%20on%20Disclosure.pdf>

EBA: Communication of the European Banking Authority on the UK withdrawal from the EU

<https://eba.europa.eu/documents/10180/2988067/EBA+Communication+on+Brexit.pdf>



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