



Banc Ceannais na hÉireann  
Central Bank of Ireland

Eurosystem

# Protecting Consumers, Investors and SMEs during Covid-19

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## The scale of the challenge

	2018	2019 <sup>e</sup>	2020 <sup>f</sup>
<b>Real Economic Activity</b>			
<i>(% change)</i>			
Gross Domestic Product (GDP)	8.2	5.5	-8.3
Personal Consumer Expenditure	3.4	2.8	-9.0
Underlying Investment	13	2.2	-24.3
Public Consumption	4.4	5.5	7.5
Underlying Domestic Demand	5.3	3.2	-8.9



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## Our response to date

- ECB has increased Pandemic Emergency Purchase Programme to €1.35 trillion and made €3 trillion in liquidity available at negative interest rates
- Central Bank has released certain bank capital buffers
- European Banking Authority guidance on payment breaks
  - Breaks don't trigger classification as forbearance or distressed restructuring - subject to certain conditions being met
- These unprecedented measures are designed to
  - Ensure credit can continue to flow to consumers and businesses
  - Enable all sectors of the economy absorb the shock



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## Our Response to COVID-19<sup>1</sup>

Actions we've taken to reduce the impact of COVID-19

- 3 April**
  - ✓ Central Bank publishes Quarterly Bulletin 2 2020  
Impact of COVID-19 on Irish economy assessed
- 2 April**
  - ✓ Central Bank of Ireland COVID-19 Information Hub  
Launch of new online hub containing information for consumers, SMEs and regulated firms
- 30 March**
  - ✓ ECB statement on bank dividends  
Euro-area banks asked to freeze dividend payments, buybacks and other shareholder rewards
- 27 March**
  - ✓ Central Bank letter to insurers in light of COVID-19  
Insurance companies instructed to treat customers fairly and accept claims where there is insurance in place
- 19 March**
  - ✓ Central Bank meets with Banking & Payments Federation Ireland and five main banks  
3-month payment breaks agreed for consumers and businesses
- 18 March**
  - ✓ ECB announces €750bn bond purchase scheme  
New asset purchase programme to support euro-area economy
- 18 March**
  - ✓ Central Bank reduces Countercyclical Capital Buffer (CCyB)  
Key buffer for Irish banks reduced from 1% to 0% to support flow of credit to economy
- 12 March**
  - ✓ European Central Bank (ECB) Monetary Policy Decision  
Package of measures announced to support bank lending

<sup>1</sup> Includes measures announced by the European Central Bank, of which the Central Bank of Ireland is a member

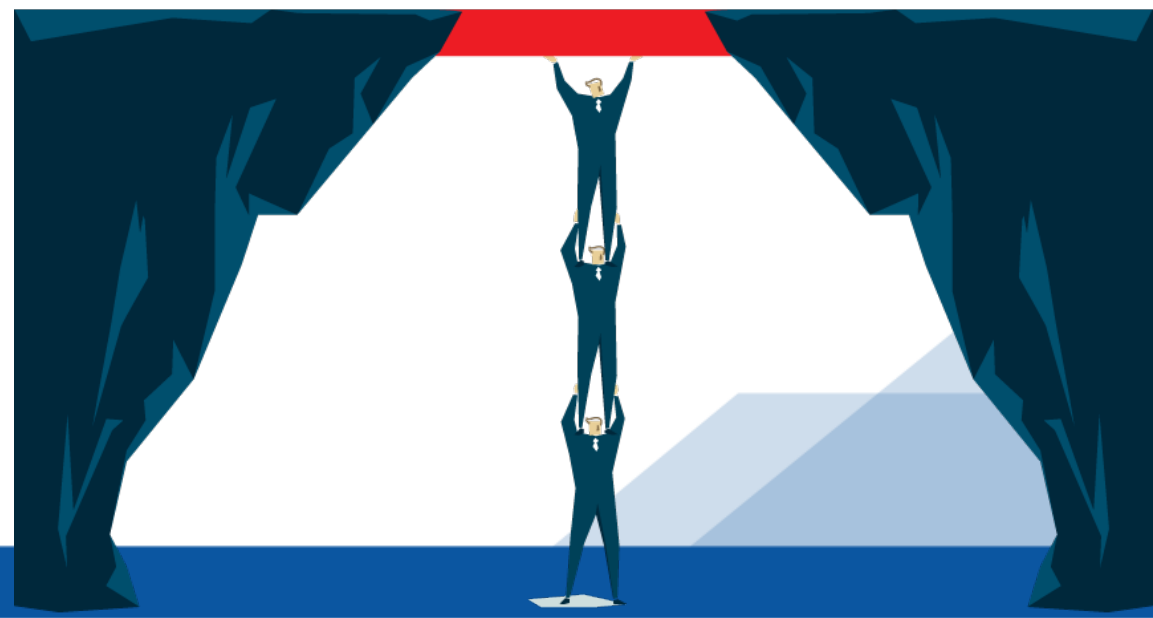
# Loan payment breaks during the pandemic

- Payment breaks of up to six months are available for consumers and businesses
- Lenders must give customers sufficient information on how payment breaks operate
- Borrowers to be given option to repay the loan within remaining term /extend the term
- Breaks not specifically identified on borrower's credit report on the Central Credit Register
- Not all borrowers may be able to repay their loans when breaks expire. In such cases, we expect lenders to:
  - Ensure appropriate solutions, including forbearance, are available and to engage with borrowers
  - Assess prudently the level of distress in their loan books and in provisioning levels



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# Insurance cover

- Most policy wordings are clear in terms of what cover is provided and what is excluded
  - Where there is a doubt about the meaning of a term, the interpretation most favourable to the consumer should prevail
  - The Government advice to close a business in the context of COVID-19 should be treated as a direction
- Central Bank conducting extensive, detailed and robust programme of work
- We will hold leadership teams accountable for overseeing whether or not claims are covered



# Investor protection

- Essential that funds manage liquidity risk effectively and in a manner that is transparent to their investors
- Central Bank providing appropriate leeway to firms on certain reporting obligations in recognition of the current circumstances
- Firms must ensure that communications to clients and potential clients prominently explain the potential disadvantages and risks
- Products that may have previously been considered suitable for sale to retail clients may no longer be suitable in the current climate



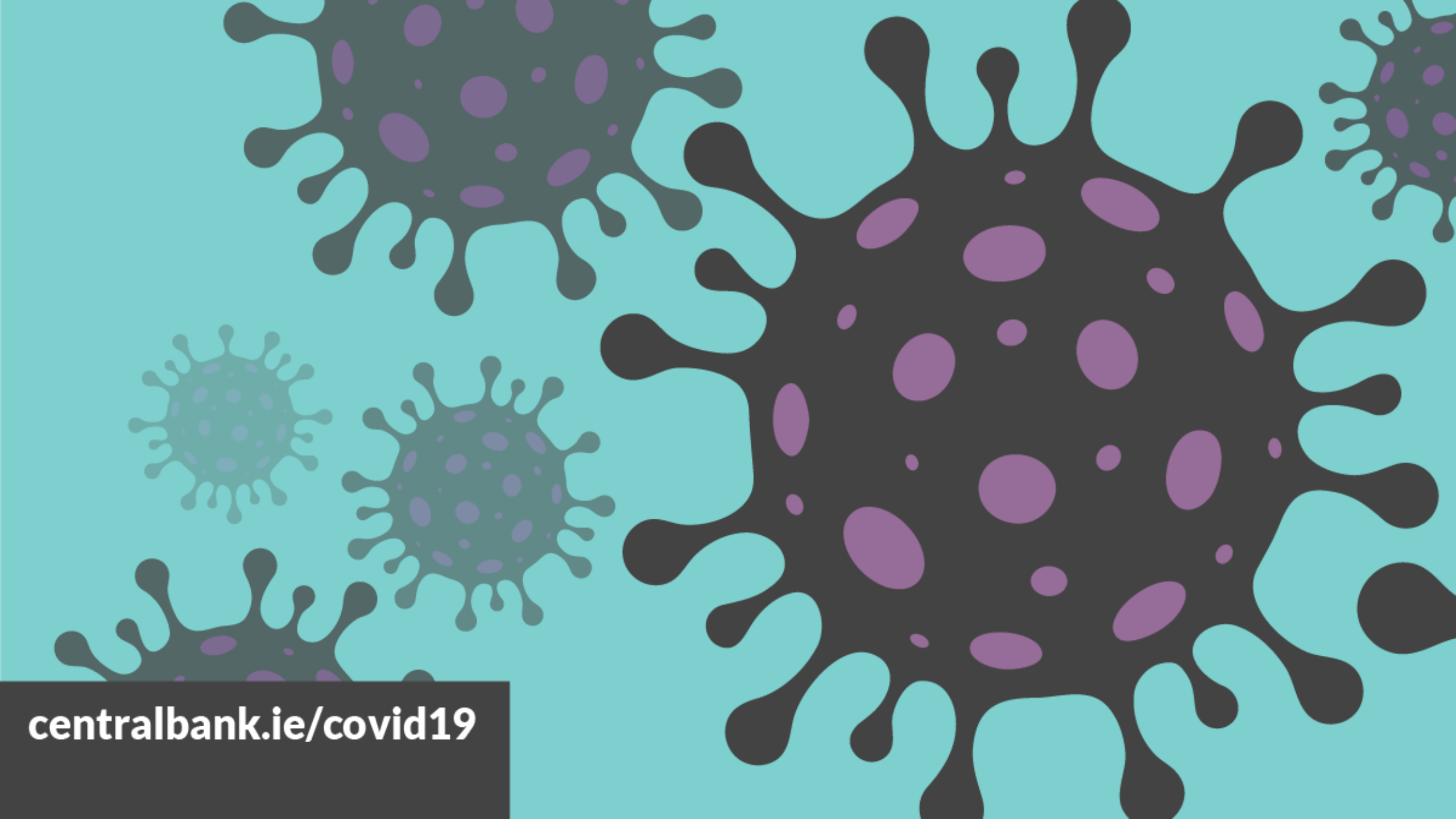
# Effective culture more important than ever

- Effective culture, in which people are able to speak truth to power, lives and breathes in every part of a firm
- Compliance professionals and employees at all levels empowered to provide senior management with an honest appraisal of risks
- Employees empowered to raise questions of ethics
- Evidence that effective culture is essential to the sustainability of financial services firms



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[centralbank.ie/covid19](https://www.centralbank.ie/covid19)