Brexit Task Force:

January 2020 Update

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Executive Summary

- In the Q3 Quarterly Bulletin, the Central Bank published new forecasts for growth in the event of a 'no deal' Brexit. Given the uncertainty surrounding the possible divergent paths, two forecasts were presented which extend the analysis carried out in the July Bulletin. However, given the political developments since October, the central projection going forward assumes a transition period until the end of 2020, before any post Brexit deal is agreed.
- In terms of the potential economic impact on Ireland, there continues to be uncertainty. The overall economic impact will depend on how close or how far the new trading and regulatory relationships are from current arrangements, as well as the impact over time on the UK economy itself.
- The latest data, for November 2019, show that consumer sentiment and the index of consumer expectations both recovered as the risk of a hard Brexit was postponed. Consumer sentiment increased by 7.6 points in November, the single largest rise since January 2015.
- UK GDP is estimated to have grown by 0.4 per cent quarter-on-quarter in Q3 2019, after contracting by 0.2 per cent in Q2. Quarterly growth in the service sector slowed down to 0.1 per cent, the lowest in three years.
- Since the last report, and following the UK election, financial markets have responded favourably. Sterling has strengthened, and sterling option volatility has fallen sharply. Equity markets have also strengthened, with a positive impact also for Irish stocks.
- Throughout Q4, the Central Bank's Brexit Steering Committee continued to focus on the mitigation (insofar as possible) of the near-term financial stability and consumer protection related risks of a 'no deal' Brexit. There was very little change in the status of the cliff edge risks during Q4 as significant efforts had been made to ensure appropriate mitigations were in place for these risks by 31 October 2019.
- In relation to the risk regarding SEPA payments, the Central Bank instructed […]. […] to ensure that the cliff edge risk of rejected payments, upon the UK becoming a third country, will be minimised if not eliminated. In parallel, the Central Bank continues to actively engage with UK Authorities on this issue and is monitoring progress towards compliance.
- With respect to UK central counterparties, the European Commission announced its intentions to extend its temporary equivalence decision beyond March 2020 to minimise any potential disruption to financial stability. On 23 December, the European Securities and Markets Authority (ESMA) announced that it has extended the recognition decisions for the three CCPs established

in the United Kingdom (UK) until 1 February 2021. The recognition decisions will take effect on the date following Brexit date, under a 'no deal' Brexit scenario.

- [Omitted due to confidentiality].
- Banks and banking supervisors were generally well prepared for operational and cliff-edge risks ahead of the 31 October Brexit deadline. Following the Brexit extension to the end of January 2020, on-going monitoring of liquidity, market and credit risks has continued. However, intensity of engagement with banks on Brexit has reduced.
- As with the previous delay to Brexit, the Insurance Directorate prepared on the basis of a 'no deal' scenario. Leading up to Brexit day on 31 October, and following the extension thereafter, the Insurance Directorate continues to ensure internal preparedness while also looking to the resilience of the financial system and of individual firms.
- The Securities Markets Supervision Division (SMSD) has continued to monitor fund activity following the extension of the Brexit deadline. Engagement with external stakeholders with regard to new deadlines for submissions of fund documentation has commenced and there has been a continuous level of fund liquidity and market monitoring ahead of the new UK departure date.
- The necessary provisions are largely in place to facilitate the continuation of CREST settlement up until March 2021 in the event of the UK leaving the EU without a withdrawal agreement. The Migration of Participating Securities Bill 2019 has passed through all stages of the Houses of the Oireachtas.
- Since the last update was provided the operational risk environment resulting from Brexit has not changed significantly within the Central Bank. [Omitted due to confidentiality]. To date, there has been no significant increase in the Central Bank's measured financial risks due to Brexit.
- [Omitted due to confidentiality].

Overview

Since first reporting on the potential implications and risks associated with Brexit in October 2015, the Brexit Task Force (BTF) has submitted quarterly updates to the Financial Stability Committee (FSC) and to the Commission.[1]

These reports have addressed economic and financial market effects, regular updates on authorisation and supervisory activity, and political and policy-related developments at a European level. In addition, BTF reports have included [..] Special Topic articles offering deep-dive analysis in relation to targeted matters of interest. These have covered such areas as sectoral impacts, resolution planning and execution, the use of UK law in financial contracts, shocks to Irish banks' UK mortgage and commercial lending exposures, EU migration to and from the UK, the impact of non-tariff barriers to trade, and risks faced by the credit union sector.

In addition to facilitating the formulation of an integrated Central Bank approach to dealing with challenges arising from Brexit, the BTF leads Brexit-related engagement with the Department of Finance and the National Treasury Management Agency (NTMA) via the inter-agency Brexit Contact Group.

While the focus of Brexit negotiations between the European Union (EU) and the UK focused on the Withdrawal Agreement and the avoidance of a disorderly and disruptive hard exit, BTF reports placed most emphasis on providing updates to the FSC and the Commission in relation to sector-by-sector contingency planning and authorisations activity. This focus intensified as successive Article 50 deadlines approached (bringing with them the real threat of a disorderly cliff-edge exit), and following the invocation of internal and inter-agency financial crisis response protocols.

In October 2019, a revised Withdrawal Agreement was reached between EU and UK negotiating teams which saw the avoidance of a cliff-edge exit on 31 October with a three month extension for ratification. Pending ratification in the European and UK parliaments, Brexit will take place on 31 January 2020. Thereafter, negotiating attention will turn to the nature of the future relationship that

[1] The following Divisions and Directorates are represented on the Brexit Task Force: AMSD, AMAI, BSAD, BSD, CPD, FMD, FRG, FSD, GSD, IEA, IR, SMSD, INSA, MPD, ORD, Risk, SRD, PSSD, RES, and RCU. The report has also benefited from discussions with the Department of Finance. The Chair is the Director of Economics and Statistics, and the Secretariat is provided by MFD (Shane Byrne) and STSD (Andrew Hopkins).

will be established between the EU and the UK. These negotiations are scheduled to address areas such as data protection, trade in goods, services and investment, financial services, capital movements and payments, and mobility. They will incorporate mutual equivalence assessments in financial services regulatory and supervisory regimes. Both sides endeavour to conclude these assessments by June 2020. These negotiations will take place in a stand-still transition period which is currently scheduled to last until 31 December 2020, at which point the UK would become a third country on World Trade Organisation (WTO) terms in the absence of a negotiated trading relationship in the interim.

1. Political Developments[2]

Latest UK Developments

The House of Commons approved the Withdrawal Agreement Bill on 9 January. Consideration in the House of Lords began on Monday 13 January. If the House of Lords does not amend the Bill, the parliamentary process will be completed by 21 January and the Bill can then proceed to receive Royal Assent. The new UK Government has inserted a provision to prevent ministers from agreeing to an extension of the transition period beyond 31 December 2020. They have also deleted earlier provisions that gave Parliament a formal role in overseeing future relationship negotiations and the requirement to publish a mandate for the upcoming negotiations. The European Parliament is expected to complete its consent process on 29 January, thus allowing the UK withdrawal from the EU to take place on 31 January.

European Commission President von der Leyen and Chief Negotiator Barnier met with PM Johnson on 8 January, where PM Johnson reiterated that his Government will not seek an extension of the transition period beyond 2020. Both sides agreed that talks on the future relationship would begin as soon as possible

Latest EU Developments

Work is underway in the Commission on preparing a draft comprehensive mandate for a future relationship with the UK, in line with the text of the Political Declaration, for adoption by the General Affairs Council on 25 February.

As part of this process, a programme of Commission-led technical seminars is taking place in Brussels throughout January on a range of issues central to the EU-UK future relationship including services, investment and financial services.

Implementation of Withdrawal Agreement

Work will also be required during the transition period to finalise a range of issues arising relating to the implementation of the Withdrawal Agreement. This includes the implementation of the Protocol on Ireland / Northern Ireland.

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[2] Our thanks to the Department of Finance for providing the background information on the latest political developments.

The Joint Committee under the Withdrawal Agreement will be established following the Agreement's entry into force. It will be made up of representatives of the EU and the UK, and co-chaired by the EU and the UK. The Joint Committee will supervise and facilitate the implementation of the Withdrawal Agreement. The revised Protocol on Ireland/Northern Ireland also identifies a number of detailed issues for decision by the Joint Committee during the transition period.

Contingency

While the chances of a disorderly Brexit have diminished significantly, there remains the possibility that agreement in the future relationship negotiations may not be reached by 31st December 2020. As such, the Government will, in parallel to the Future Relationship work, continue to prepare for all possible Brexit outcomes.

2. Economic Background

2.1. Summary of Latest Irish Projections

Summary of Latest Developments

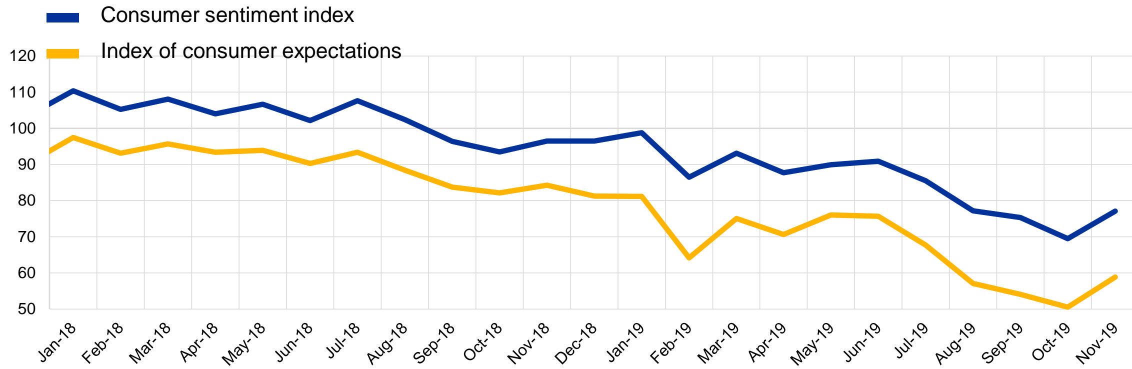
Since the last Brexit Task Force report, the Bank revised its forecasts for economic growth upwards to reflect continued employment growth and strong consumer spending. Given the uncertainty surrounding the possible divergent paths of the UK's relationship with the EU at the time of publication of the last Quarterly Bulletin in mid-October, two forecasts were presented which extend the analysis carried out in the July Bulletin. However, given the political developments since October 2019, the central projection going forward assumes a transition period until the end of 2020, before any post Brexit deal is agreed.

In terms of the potential economic impact on Ireland, there continues to be uncertainty. The prospect of establishing a future Free Trade Agreement (FTA) with the UK is better than 'no deal', but clearly worse than the status quo. The overall economic impact will depend on how close or how far the new trading and regulatory relationships are from current arrangements, as well as the impact over time on the UK economy itself. While an orderly move to a FTA will limit the extent of the initial disruption, the more removed the new relationship is from the existing one, the more significant will be the long-run negative impact on Irish output and employment.

Sentiment

While the effect of Brexit on consumer sentiment is difficult to discern, developments in the UK and the index itself suggest that Brexit has affected consumer sentiment in recent years. Indeed, in the months leading up to 31 October, consumer sentiment and the index of consumer expectations declined markedly as the possibility of a hard Brexit materialised (Chart 2.1.1). The most recent data release, for November 2019, show that both indices recovered as the risk of a hard Brexit was postponed. Indeed, consumer sentiment increased by 7.6 points in November, which is the single largest rise since January 2015. However, the rise in consumer sentiment should be taken in the context of a 21.7 point drop in the index since June 2019, and that the October reading was recorded as a six year low in the index.

Chart 2.1.1: Irish Consumer Sentiment

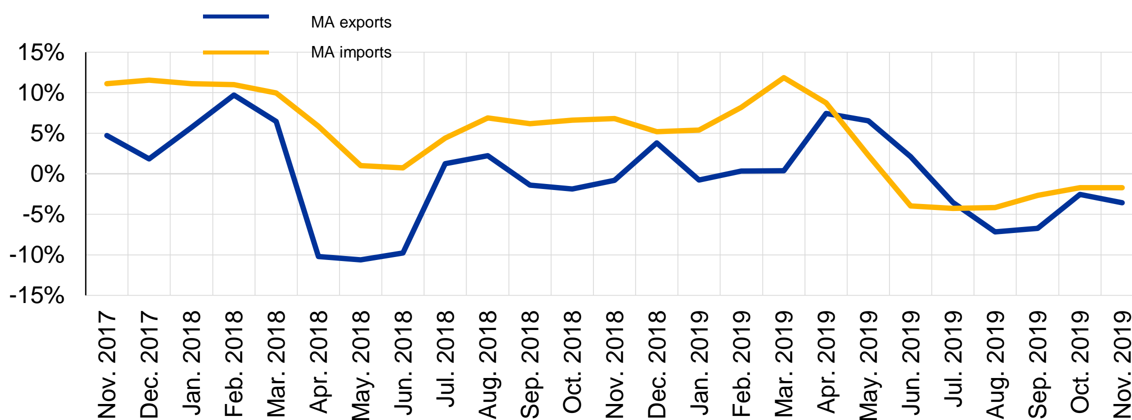


Source: KBC

Trade

Overall, merchandise trade growth with the UK declined in recent months, particularly when compared to the first half of 2019 (Chart 2.1.2). UK imports were particularly strong in the first quarter of 2019, as many firms engaged in stockpiling in advance of the 31 March Brexit deadline. However, imports growth from the UK slowed steadily as the year progressed, and recent data from the CSO indicate that imports declined by 6.8 per year on year in November 2019. Similarly, exports to the UK declined in November, down 13.1 per cent year on year. However, given the volatility in the monthly data, it is useful to examine how trade with the UK performed over the 12 month period to November 2019, relative to the same 12 month period in 2018. Using this measure, merchandise exports to the UK fell by 1.3 per cent in the year to November 2019, while imports from the UK rose by 1.2 per cent over the same period. In contrast, merchandise exports to the US grew by 16.7 per cent in the 12 months to November 2019, and 5.8 per cent for the euro area, driven primarily by chemicals exports.

Chart 2.1.2: Irish Merchandise Trade (United Kingdom)

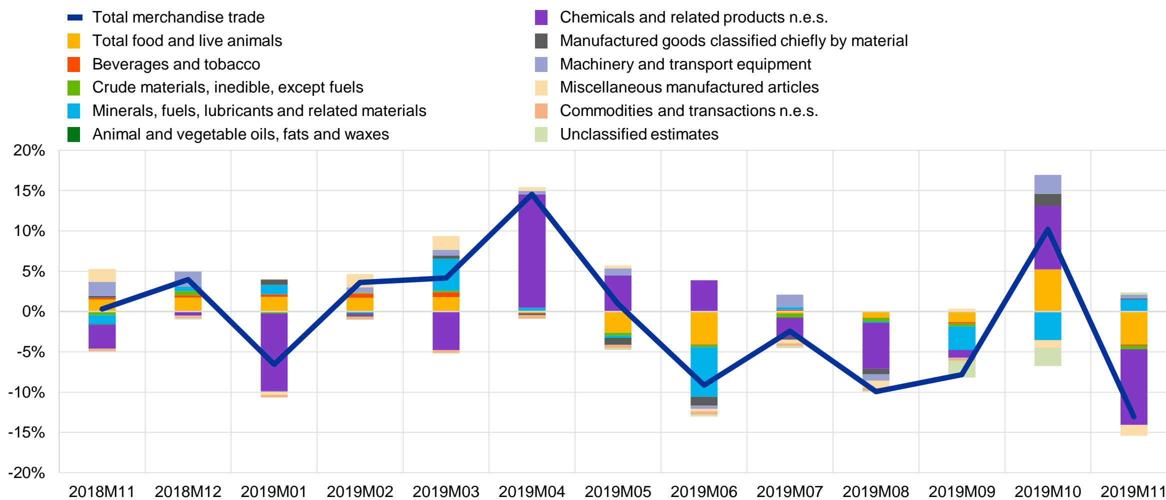


Source: CSO

Disaggregated data provide insight into the sectors driving the recent decline in exports to the UK. Much of the surge in exports in April 2019 was concentrated in Chemicals and Related Products, while much of the subsequent decline was due to contractions in this product category, alongside falls in Minerals, fuels, lubricants and related materials (Chart 2.1.3).

The rise in exports in October was largely driven by strong year on year growth in Food and Live Animals and Chemicals and Related Products. In this context it is worth noting that Food and Live Animals and Chemicals and Related Products combined account for approximately 60 per cent of all Irish exports to the UK. As a consequence, developments in either of these product categories has significant effects on the overall performance of exports to the UK.

Chart 2.1.3: Contribution to UK export growth by product category



Source: CSO

2.2. UK Macroeconomic Update & Monetary Policy

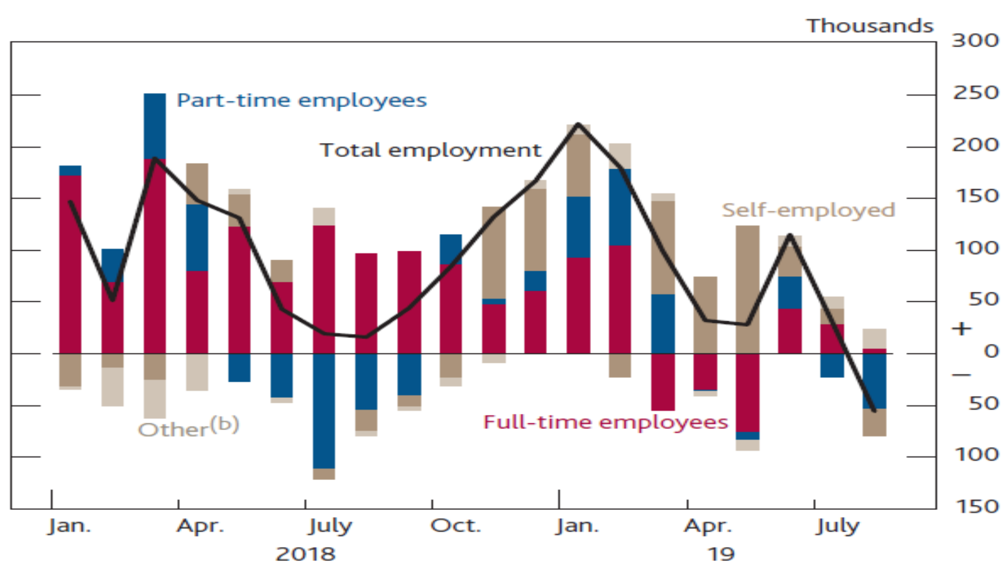
UK Macroeconomic Update

UK GDP is estimated to have grown by 0.4 per cent quarter-on-quarter in Q3 2019, after having contracted by 0.2 per cent in Q2. Forecasts for Q4 2019 see growth slowing down to 0.2 per cent, corroborated by flat flash month-on-month GDP growth estimates for October. In Q3 2019, quarterly growth in the service sector slowed down to 0.1 per cent, the lowest in three years. Stockpiling ahead of two Brexit deadlines (March 2019 and January 2020) and the successive winding down of inventories contributed to the higher-than-usual GDP volatility in 2019.

While global financial conditions loosened in 2019, the Bank of England (BoE) reported a tightening in corporate credit conditions in the UK in the past year. This is partially due to the appreciation of sterling following the decrease in the perception of risk of a 'no deal' Brexit.

Unemployment increased slightly in Q3 2019, but remains low at 3.9 per cent and below the assessed equilibrium rate of 4.25 per cent. Yet, falling employment figures registered in August (Chart 2.2.1), point towards a weakening of labour demand.

Chart 2.2.1: Decomposition of changes in employment



Source: Bank of England 'Monetary Policy Report', November 2019

(a) Three months on previous non-overlapping three months.

(b) Unpaid family workers and those on government-supported training and employment programmes classified as being in employment

Bank of England Monetary Policy

The BoE's Monetary Policy Committee (MPC) voted in December by a majority of 7-2 to hold the Bank rate at 0.75 per cent, while the committee voted unanimously to maintain the current stock of government bond purchases at £435bn and corporate bond purchases at £10bn.

The BoE maintained a cautionary stance at its post-election policy meeting on 19 December. The MPC acknowledged that the election outcome could provide a short-term boost to household and business sentiment. However, it stressed that further developments would be contingent upon the next stage of the Brexit process. The MPC also reiterated that the BoE might need to add stimulus if Brexit uncertainty remains entrenched or global growth fails to stabilise.

Market pricing on the probability of a BoE rate cut by the middle of 2020 has fallen from 82 per cent in early October to a current level of 35 per cent amid greater expectations of a post-election increase in economic activity.

2.3. Financial Market Developments

Over the review period (10 October 2019 to 8 January 2020), PM Johnson secured the backing for a general election to occur on 12 December. Brexit market barometers such as sterling and domestically oriented UK stocks posted solid gains amid a diminishing political risk premium around the election as the Conservatives maintained a healthy lead (minimum of 6 points) in the polls and markets priced in a 75 per cent probability of a Conservative majority.

The UK election results bore out the polls as the Conservatives secured a comprehensive majority of 79 seats. The initial market reaction was positive with sterling strengthening, UK equities posting solid gains and marginally higher Gilt yields. Sterling option volatility (particularly for puts, which are used for hedging against downside risks) has fallen sharply in the belief that the UK will leave the EU by the end of January 2020. In the post-election aftermath, markets were also buoyed by a general risk-on tone after it was reported that US President Trump had agreed a ‘phase one’ deal with China.

Sterling spiked to a new high of £0.83 and $1.33 against the euro and the dollar respectively on the announcement of the UK exit polls. However, sterling gave up some gains as investors’ switched focus to the content of the UK transition arrangement. Market uncertainty resurfaced after PM Johnson signalled that he intended to outlaw any extension beyond the transition end-date of 31 December 2020. Sterling is still up by approx. 6 and 4.5 per cent since 10 October against the euro and dollar when the Taoiseach first raised hopes of a “pathway to a deal".

Since early October, Table 2.3.1 shows the FTSE 100 and the more domestically oriented FTSE 250 have appreciated by approx. 5 and 12 per cent respectively; the more export sensitive FTSE 100 has been hampered by sterling appreciation. The promise of fiscal stimulus by the Conservatives has also provided support for UK stocks. There has also been a positive impact for Irish stocks on the easing of Brexit uncertainty; the ISEQ index is up by 16 per cent over this period. AIB performed broadly in line with the index, while Bank of Ireland outperformed (up 29 per cent) on lower Brexit uncertainty, with Davys also noting its continued loan growth and cost reduction efforts. Moody has upgraded the

banks' credit ratings over the period, but noted weak demand for credit partly due to Brexit-related uncertainties.

Table 2.3.1: Sterling and equity price movements (10 Oct 2019 – 8 Jan 2020)

	10-Oct-19	08-Jan-20	Change
FX			
GBP/USD	1.24	1.31	5%
EUR/GBP	0.88	0.85	-4%
Equities			
FTSE100	7186	7536	5%
FTSE 250	19236	21625	12%
ISEQ	6216	7197	16%
Bank of Ireland	3.79	4.90	29%
AIB	2.76	3.19	16%

Table 2.3.2 illustrates that UK 2 and 10-year Gilt yields have risen by 13 and 20 basis points (bps) to 59bps and 79bps respectively on more risk-on investor sentiment and the prospect of higher fiscal spending. Irish bond spreads have tightened markedly against all major European bond markets on reduced Brexit uncertainty; Irish spreads to Germany and France have narrowed by 22bps and 20bps to a spread of 35bps and 5bps respectively.

Table 2.3.2: UK Gilt yields and Irish bond spreads (10 Oct 2019 -8 Jan 2020)

Gilts	**10 October 2019 (%)**	**8 January 2020 (%)**	***Change (basis points)***
2-year Gilt yield	0.46	0.59	13
10-year Gilt yield	0.59	0.79	20
Irish 10 year spread over Germany	0.57	0.35	-22
Irish 10 year spread over France	0.25	0.05	-20
Irish 10 year spread over Belgium	0.22	0.026	-19

3. Contingency planning and cliff edge risks[3]

Throughout Q4, the Central Bank's Brexit Steering Committee continued to focus on the mitigation (insofar as possible) of the near-term financial stability and consumer protection related risks of a 'no deal' Brexit. There was very little change in the status of the cliff edge risks during Q4 as significant efforts had been made to ensure appropriate mitigations were in place for these risks by 31 October.

In relation to the risk regarding SEPA payments inwards from/outwards to UK highlighted in the last report[4], the Central Bank instructed […]. […] to ensure that the cliff edge risk of rejected payments, upon the UK becoming a third country, will be minimised if not eliminated. In parallel, the Central Bank continues to actively engage with UK Authorities on this issue and is monitoring progress towards compliance.

With respect to the UK central counterparties (CCPs), the European Commission announced its intentions to extend its temporary equivalence decision beyond March 2020 to minimise any potential disruption to financial stability. On 23 December, the European Securities and Markets Authority (ESMA) announced that it has extended the recognition decisions for the three CCPs established in the United Kingdom until 1 February 2021. The recognition decisions will take effect on the date following Brexit date, under a 'no deal' Brexit scenario.

[Omitted due to confidentiality].

The extension of the Brexit date to 31 January further erodes the agreed transition period and the immediate focus turns from cliff edge risk mitigation and contingency planning to the future EU/UK relationship, particularly in terms of the potential impact on financial services.

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[3] For a discussion of key cliff-edge risks identified as part of the Central Bank's Brexit preparations, please see the March 2019 BTF Report.

[4] In the event of a no deal Brexit, given the UK will become a third country, EU banks will be required to hold additional information on file with regard to the payers of transactions under the Funds Transfer Regulations (FTR). Without this additional information, there is a risk that banks may be unable to process a significant number of payment transactions (direct debits and credit transfers), putting such payments at risk of being rejected.

4. Sectoral Update

4.1. Banking

As the possible 31 October 'no deal' Brexit approached, supervisors had intensified their engagement with banks. Supervisors were satisfied that banks were operationally prepared for a 'no deal' Brexit. Banking supervisors were also operationally prepared for any event risk arising from a no deal Brexit.

On cliff-edge risks:

- On 19 December, the European Commission published Decision 2019/2211, which amended the temporary equivalence granted to the three UK CCPs, by extending the expiry date for a further year to 30 March 2021. ESMA has, in turn, recognised this equivalence which removes the cliff edge risk of EU counterparties losing access to UK CCPs on the occurrence of any 'no deal' Brexit. If there is a deal, and in the absence of a further equivalence decision, counterparties would lose access at the end of the transitional period, currently 30 December 2020.
- [Omitted due to confidentiality].

[Omitted due to confidentiality].

Following the Brexit extension to the end of January 2020 on-going monitoring of liquidity, market and credit risks has continued. However, intensity of engagement with banks on Brexit has reduced. The result of the UK election has been received well by markets and significantly lowers the potential for risk of a 'no deal' Brexit as of end January. The UK Government is focused on achieving a trade deal ahead of the end of the transition period in December 2020. This will be challenging and means a 'no deal' exit risk at the end of 2020. Banking supervisors will continue to monitor key risk areas and will engage with banks on risk mitigation as relevant.

4.2. Insurance

Insurance Directorate Update

During the run up to potential Brexit deadline on 31 October, and following the extension thereafter, the Insurance Directorate has continued to focus on internal preparedness as well as the resilience of the overall financial system and the resilience of individual firms. This has been undertaken through continued engagement with firms, EIOPA and UK and Gibraltar supervisory counterparts.

The achievements to ensure the preparedness of the Insurance Directorate, include signing the EIOPA Multilateral Memorandum of Association (MMoU) in March 2019, signing the Split of Responsibilities[5] in October, and notifying EIOPA of the CBI's intention to comply with the EIOPA Brexit Recommendations[6]. [Omitted due to confidentiality].

For January 2020 the Insurance Directorate will continue to host BISC[7] meetings with Legal, Consumer Protection and Policy representatives. The frequency of these meetings will be decided in early Q1 2020. The EIOPA Brexit Platform will also continue in January. These may reduce thereafter. No new sectoral risks or issues have emerged since the delay to Brexit.

Authorisations

[Omitted due to confidentiality].

Contingency Planning Outwards & Inwards

The Temporary Permissions Regime[8] (TPR) has addressed the issue of UK contract continuity. For Irish contract continuity, the Domestic Temporary Run-Off Regime (TRR) was passed by the Oireachtas in March 2019 and is ready for implementation.

[Omitted due to confidentiality].

4.3. Asset Management

Authorisation

[Omitted due to confidentiality].

ESMA Engagement

The ESMA Supervisory Co-ordination Network (the 'SCN') continues to meet regularly to discuss cases of authorisation requests and any supervision/enforcement issues arising from investment firms,

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[5] A Split of Responsibilities (SoR), i.e. an agreement on the supervision of Third Country Branches, was signed in early October in time for the 31 October deadline.
[6] EIOPA recommendations for the insurance sector in light of the UK withdrawing from the EU (link here).
[7] Brexit Insurance Supervisory Committee
[8] EEA Passport Rights (Amendment, etc., and Transitional Provisions) (EU Exit) Regulations 2018 legislation.

asset managers and trading venues seeking to relocate from the UK. The Director of Asset Management and Investment Banking represents the Central Bank at the SCN. Key issues for ESMA include, inter alia, the risk of letter-box entities, substance in the EU, governance, significant outsourcing or delegation that lead to a substantial part of the activities being undertaken outside the EU and the risk of significantly different treatment between entities across the EU.

National Competent Authorities (NCAs) are invited to present live cases to the SCN on an anonymised basis for discussion. NCAs will then provide further updates to keep the SCN informed as applications develop.

Supervisory engagement: Analysis of firms' preparation for Brexit (including a hard Brexit)

Supervisors continue to engage with firms to understand potential business impacts arising from Brexit and the possible implications for a 'no deal' Brexit. Key areas of focus include emerging Brexit risks and how firms are mitigating against these risks; the potential impact of Brexit Cliff Edge risks; impact on Clients and Technology resilience. In addition, supervisors are engaging with the newly authorised firms to understand their plans for commencing activity and any alterations to business migration plans as a consequence of the delay to Brexit.

To date, there have been no significant supervisory issues identified within the sector. Brexit supervisory focus will continue throughout 2020.

4.4. Securities and Markets

Investment Funds

SMSD has continued to monitor fund activity following the extension of the Brexit deadline. Engagement with external stakeholders with regard to new deadlines for submissions of fund documentation has commenced and there has been a continuous level of fund liquidity and market monitoring ahead of the new UK departure date of 31 January 2020.

On 6 December 2019, SMSD issued correspondence to Irish investment funds who are affected by the loss of the Fund Management Company (FMC) passport for both UK UCITS Management Companies and Alternative Investment Fund Managers (AIFMs), reminding them of their obligations in this regard and the new Central Bank deadline of 6 January 2020 which will apply to funds seeking to move their

management away from UK entities in the event of a 'no deal' Brexit although this is now unlikely. [Omitted due to confidentiality].

Also in December, a number of communications were issued to remind stakeholders of the need to update relevant documentation ahead of the new Brexit deadline of 31 January 2020. In the context of investment funds, Irish investment funds were contacted to remind them that prospectus amendments reflecting the UK's change in status (to being a non-member of the EU) must be submitted to the Central Bank by 6 January 2020.

As previously, SMSD continues to monitor the liquidity of Irish investment funds, monitoring for the emergence of systemic risks in the funds industry associated with the UK's departure.

Market Surveillance

Monitoring of general market activity is also a focus, with analysis circulated to SMSD management and relevant staff on a daily basis. Market developments are then discussed each week through a broad forum of management and staff across various teams.

Prospectus Directive

In the area of debt and equity prospectus applications, in preparation for the October 31 Brexit deadline a communication was sent to the relevant listing agents noting that all Brexit related submissions should be free of material comment by 25 October. Accordingly all known documents seeking approval in the event of a Hard Brexit are ready for approval. A further communication was sent on 12 December to highlight to the relevant issuers that a further submission may be required should time sensitive information need to be updated.

4.5. Consumer Protection Supervision

Brexit - Freedom of Services (FoS) / Freedom of Establishment (FoE) Inwards – General Update

In the course of the Central Bank's preparation for a no deal Brexit scenario, there has been significant engagement with UK and Gibraltar firms operating in Ireland on a FoS and FoE basis. Much of this engagement is focused on gauging the level of preparedness of these inward passporting firms and ensuring they have carefully assessed their obligations to existing and prospective customers, and taken any necessary actions to mitigate potential risks that may arise. Also reminding firms that they must continue to provide clear information to customers whose contracts or services may be affected,

as soon as that information becomes available to them. To date, the response rate of firms has varied across sectors. The previous extension of the Brexit withdrawal date to 31 October provided an additional window of time to address this, and the Central Bank continued to employ a risk-based approach to assessing the Brexit preparedness of these firms across sectors, working closely with the relevant ESAs in this regard.

Brexit - Freedom of Services Inward Credit Institutions – Specific Update

The Central Bank has had extensive engagement with UK and Gibraltar firms operating in Ireland on a FoS and FoE basis, including inward passporting credit institutions. This engagement has continued to focus on the level of preparedness of these firms for a hard Brexit, including their contingency plans to minimise Brexit-related risks to consumers and associated communications with consumers. The Central Bank has also continued to engage with UK regulatory authorities. As at start December, the majority of credit institutions selling financial products and services from the UK to Ireland are implementing plans to mitigate the risks to Irish customers. In relation to potential risks around disruption to, or discontinuation of services, from credit institutions engaging in unauthorised activity, and of loss of access by consumers to the Irish Consumer Protection Framework or the Financial Services and Pensions Ombudsman, the Central Bank has engaged extensively with credit institutions to minimise these risks and continues to do so. The Central Bank continues to reiterate that it is the responsibility of each credit institution to satisfy itself, including through obtaining advice from its legal advisors, of its licencing and regulatory obligations under Irish financial services legislation, and (where relevant) seek alternative authorisations.

Authorisations Update - Payment & Electronic Money Institutions and Retail Intermediaries

Consumer Protection Directorate (CPD) is responsible for the authorisation and supervision of Payment Institutions (PI), Electronic Money Institutions (EMI) and Retail (insurance and mortgage credit) Intermediaries (RIs). Since the June 2016 UK referendum, CPD has seen a significant increase in applications for authorisation received as a result of Brexit. [Omitted due to confidentiality].

[Omitted due to confidentiality].

Since December 2019, all applicants in the assessment phase of the authorisation process have been categorised as either ‘likely’, ‘possibly’ or ‘unlikely’ to be authorised by 31 January 2020. Any applicant who is considered ‘unlikely’ to be authorised by this date has been so advised to enable them to consider whether they require any further Brexit contingency planning. The categorisation of all

applicants will be assessed on an on-going basis with the 'unlikely' to be authorised firms being so advised as early as possible. All firms whose application remains in the assessment phase of the authorisation process will be reminded of outstanding issues in respect of their application and the importance of addressing any such issues as soon as possible.

CPD will continue to ensure that Brexit-related applications are progressed as efficiently as possible to enable it to have further firms authorised by 31 January 2020. The main factors that will determine whether applications will be authorised by this date, are (a) the quality and timeliness of responses by applicants to comments issued, (b) the ability of applicants to identify/hire staff including those proposed to fulfil key roles and the subsequent completion of the fitness & probity assessment of PCF role holders, and in respect of the RI sector, (c) the volume of non-Brexit related applications. It should be noted that new Brexit-related applications continue to be received and it is anticipated that further Brexit-related applications will be submitted. Any future applications received are unlikely to be authorised by 31 January 2020 and the relevant firms will be so advised.

4.6. Market Infrastructure

As per the Q3 update, the necessary provisions are largely in place to facilitate CREST – the securities settlement system operated by Euroclear UK and Ireland (EUI) to settle Irish corporate securities - continuing to provide services in a 'no deal' Brexit outcome.

Given that the most likely Brexit scenario currently is that a Withdrawal Agreement Bill will be concluded between the UK and the EU, [Omitted due to confidentiality].

Long-term solution

Euroclear Bank continues to engage with the Irish market participants through its Working Group and Steering Board structures on the migration planning for the March 2021 deadline. The Migration of Participating Securities Bill 2019 has passed through all stages of the Houses of the Oireachtas and this is considered a key enabler for the migration process.
[Omitted due to confidentiality]. […], the position of the Authorities (Department of Finance and the Central Bank) remains that migration to Euroclear Bank by March 2021 is the only means of ensuring the continued settlement of Irish securities […].

5. Organisational Risk

Non-financial risks

The Central Bank is exposed to financial risk from Brexit through its balance sheet holdings. At present, a large proportion of the Central Bank's balance sheet is made up of Irish government bonds, due to both the ECB's PSPP programme and the Central Bank's holdings of FRNs resulting from the liquidation of IBRC. [Omitted due to confidentiality].

Organisational Risk Division (ORD) monitors these risks regularly and to date, there has been no significant increase in these risks due to Brexit. [Omitted due to confidentiality].

Financial risks

ORD previously provided an update on the organisation wide assessment that was completed in 2019. ORD continues to monitor all Brexit related risks which were identified and recorded in 2019. ORD has also, as at the end of Q3 2019, reached out to all divisions to ensure that the relevant risks have been updated on the divisional risk registers to take into consideration the constantly evolving Brexit environment. ORD is also actively engaging with divisions in identifying any new risk exposures as and when they arise.

Since the last update provided in the October BTF Report, there has not been significant change to the Central Bank's Brexit related operational risk profile. The five high level themes initially identified remain relevant and any new risks identified sit comfortably within one of these themes. As a recap, the five high level themes identified were as follows, (i.) volume of authorisations, (ii.) increased scope of supervisory requirements, (iii.) adequacy of resourcing and the consequent need to re-prioritise existing work demands, (iv.) continuity and enforceability of legal contracts, and finally, (v.) ensuring GDPR requirements are managed.

[Omitted due to confidentiality].

ORD will continue to review progress in this regard and challenge in line with the Central Bank's operational risk management (ORM) Framework. As additional information regarding the Brexit scenario becomes known, ORD will prompt divisions to review their relevant risk exposures and provide an update to the BTF and Brexit Steering Committee as required.

6. Authorisations Activity

6.1. Overview

[Omitted due to confidentiality].

6.2. Asset Management Supervision

[Omitted due to confidentiality].

6.3. Banking

[Omitted due to confidentiality].

6.4. Consumer Protection

[Omitted due to confidentiality].

6.5. Insurance

[Omitted due to confidentiality].

6.6. Securities and Markets Supervision

[Omitted due to confidentiality].

Glossary

AIFM	Alternative Investment Fund Managers
AMAI	Asset Management: Authorisations and Inspections Division
AMLD	Anti-Money Laundering Division
AMIB	Asset Management and Investment Banking Directorate
AMS	Asset Management Supervision Directorate
BEI	Business Enterprise & Innovation
BISC	Brexit Insurance Supervisory Co-ordination Group
BoE	Bank of England
BTF	Brexit Task Force
BSD	Banking Supervision - Supervision Division
BSAD	Banking Supervision Analytics Division
CAT	Core Assessment Team
CCP	Central Counterparty Clearing House
CPD	Consumer Protection Directorate
CSD	Central Securities Depository
EBA	European Banking Authority
ECB	European Central Bank
EEA	European Economic Area
EIOPA	European Insurance and Occupational Pensions Authority
EMI	Electronic Money Institutions
ESMA	European Securities and Markets Authority
ETF	Exchange traded fund
EU	European Union
EUI	Euroclear UK and Ireland
FMD	Financial Markets Division

FMC	Fund Management Company
FoE	Freedom of Establishment
FoS	Freedom of Services
FSC	Financial Stability Committee
FSD	Financial Stability Division
FTA	Free Trade Agreement
FTR	Funds Transfer Regulations
GDP	Gross Domestic Product
GDPR	General Data Protection Regulation
IBBD	Investment Banks and Broker Dealers Division
IEA	Irish Economic Analysis
INSA	Insurance - Actuarial, Analytics & Advisory Services
IR	International Relations
ITSS	International Trade in Services Statistics
LEG	Legal Division
MiFID	Markets in Financial Instruments Directive
MiFIR	Markets in Financial Instruments Regulation
MMoU	Multilateral Memorandum of Understanding
MoU	Memorandum of Understanding
MPC	Monetary Policy Committee
MPD	Markets Policy Division
MTF	Multilateral Trading Facility
NCA	National Competent Authorities
NTMA	National Treasury Management Agency
ORD	Organisational Risk Division
ORM	Operational Risk Management

OTF	Organised Trading Facilities
PI	Payment Institution
PSSD	Payment and Securities Settlement Division
RCU	Registry of Credit Unions
RI	Retail (insurance and mortgage credit) Intermediary
SCN	Supervisory Co-ordination Network
SEPA	Single Euro Payments Area
SI	Significant Institution
SMSD	Securities Markets Supervision Division
SoR	Split of Responsibilities
SRD	Supervisory Risk Division
SSM	Single Supervisory Mechanism
STRI	Services Trade Restrictiveness Index
TPR	Temporary Permissions Regime
TRR	Temporary Run-Off Regime
WFBI	Wells Fargo Bank International
WTO	World Trade Organisation