



**Gníomhaireacht Bainistíochta an Chisteáin Náisiúnta
National Treasury Management Agency**

**MINUTES OF MEETING OF THE
NATIONAL TREASURY MANAGEMENT AGENCY
HELD AT 2.00PM ON 23 MAY 2017 AT
TREASURY BUILDING, LOWER GRAND CANAL STREET, DUBLIN 2**

PRESENT: Willie Walsh, Chairperson
Gerardine Jones
Martin Murphy
Conor O’Kelly
Mary Walsh
Susan Webb

APOLOGIES: Maeve Carton
Derek Moran
Robert Watt

IN ATTENDANCE: Adrian O’Donovan, Secretary
Ian Black, Chief Financial and Operating Officer (CFOO)
Andrew O’Flanagan, Chief Legal Officer (CLO)
Eugene O’Callaghan, Director, ISIF (Item 4.2 only)
Frank O’Connor, Director, Funding and Debt Management (Item 6 only)
Rossa White, Chief Economist (Item 6 only)

1. NOTICE AND QUORUM

The Chairperson noted that notice of the meeting and of the nature of the business to be conducted had been given to all members entitled to attend the meeting and a quorum was present. The meeting then proceeded to business.

2. DISCLOSURES OF INTEREST

For the purposes of Section 13A of the National Treasury Management Agency Act 1990 (as amended) and Section 17 of the Ethics in Public Office Act 1995, there were no material interests declared by members in the business to be transacted at the meeting.

3. MINUTES AND MATTERS ARISING

The Chairperson noted that draft minutes of the meetings of 29 March and 8 May 2017 had been circulated to the members in advance of the meeting. **IT WAS RESOLVED** that the minutes of these meetings be approved and that they be signed by the Chairperson.

With regard to Item 8 of the minutes of 29 March (NTMA Premises), the Secretary confirmed that he had received a letter from the Department of Finance confirming that the Minister was satisfied for the NTMA to proceed with the project on the basis approved by the Agency.

4. COMMITTEE REPORTS

4.1 Audit and Risk Committee

The Audit and Risk Committee Chairperson, Martin Murphy, presented the Report of the Committee meeting held on 16 May. He noted that the updated Anti-Fraud Policy had been approved by the Committee. There were no material amendments. The Committee had also approved the Compliance Plan 2017 and the Compliance Framework which set out the Compliance function's role and mandate. In light of the recent global ransomware attack, the Committee had requested an update on the NTMA's implementation of Espion's cybersecurity recommendations at its next meeting.

Finally, the Chairperson noted that the Committee received a presentation on the 4th EU AML Directive. The CLO briefed the Agency members on the requirements placed on them as Politically Exposed Persons (PEPs) under the Directive, adding that he and the Head of Compliance were available to brief members in more detail, on request.

4.2 Investment Committee

The Investment Committee Chairperson, Susan Webb, reported on the Committee meeting held on 16 May and on the investment proposals reviewed at that meeting. With regard to the proposed International Financial Services allocation, she noted that, following the discussion of this matter at the Agency meeting of 29 March, it was now proposed to proceed on the basis of specific investment proposals, if and as opportunities with a clearly demonstrable economic impact arose, rather than make a specific allocation to the sector. She also briefed the Agency on the Committee's quarterly reviews of the Irish Portfolio, the Portfolio Diversification Framework and the Sustainability and Responsible Investment Report. She noted the Committee had reviewed the 2016 Economic Impact Report and that this would be published shortly. Finally, she noted it was likely that a proposal to extend the ISIF loan facilities to Irish Water for a further 12 months would be considered by the Committee at its June meeting. As this investment was in excess of €150m, the Committee would need to make a recommendation to the Agency for consideration at its July meeting, if it was proposed to proceed with the investment.

5. CHIEF EXECUTIVE'S REPORT

The Chief Executive presented his Report. He noted that there had been considerable work carried out on the NTMA's role and responsibilities in relation to the Apple case since the March Agency meeting (there was a separate paper on this issue at Agenda Item 7). He updated the Agency on the index-linked bond issuance in April, the ISIF Market Engagement event to take place on 26 May, and the ICT high level review. He advised the Agency that, following discussion with the relevant Government Departments, the NDFA's project management functions would remain with the NTMA for at least a three-year period. In light of this, an internal review of the most appropriate means of structuring the NDFA function within the NTMA would now take place. It was noted that the Chief Executive would revert to the Agency with any recommendations arising from the internal review of the NDFA.

The CFOO presented the NTMA Administration and ISIF Expenditure Forecasts 2017 compared with the NTMA Administration and ISIF budgets. He noted that the NTMA administration forecast was expected to be in line with budget. While there were professional fee costs that were not included in the budget, these could currently be accommodated within the existing budget. The ISIF forecast was below budget – principally due to lower than projected investment management fees.

The Agency noted the Report on Delegated Matters Notifiable to the Agency.

6. BREXIT AND MARKET UPDATE

The Chief Economist briefed the Agency on the recently published full year 2016 trade figures with the UK, Q1 2017 tourism figures and national and regional Q1 2017 employment figures. He noted that the impacts of Brexit were likely to be felt on a phased basis – with the long-run effects dependent on the ultimate trading arrangement for the UK.

The Director, Funding and Debt Management briefed the Agency on bond market developments noting that Irish Government bonds had enjoyed a strong rally over the last two months as euro sovereign spreads had narrowed. He also updated the Agency on the funding position noting that a total of €8.36 billion (76% of the 2017 funding mid-range of €9 to €13 billion) had been funded in the year to date. He gave details of the NTMA's first issuance of an inflation linked bond through a private placement in April (€0.6 billion) noting that it had been issued at a small premium to the equivalent fixed income bond.

The Agency discussed the inflation-linked issue and long-term inflation expectations. It was noted that it was important for the purposes of diversification and access to wider sources of capital to build up an inflation-linked market.

7. NTMA ROLE IN APPLE STATE AID RECOVERY

THIS ITEM HAS BEEN REDACTED IN PART.

The Chief Executive briefed the Agency members on the proposed arrangements for recovery by the State from Apple of State aid which the European Commission has decided that Ireland provided to Apple and the NTMA's role in such arrangements on foot of an expected delegation and directions from the Minister for Finance. He noted that the expectation was that Apple would transfer the recovery amount (which may be in excess of €13 billion) to be held in an escrow fund, pending the outcome of the appeal of the European Commission's decision.

The Chief Executive outlined the proposed NTMA governance structure that would apply to the implementation of the NTMA's role. In this regard he noted that an Oversight Committee, which he, as Chief Executive, would chair, would oversee performance of the NTMA's functions.

The Chief Executive noted that an additional Agency meeting on this issue may be required when the proposed arrangements as outlined above were finalised and ready for implementation.

The Agency reviewed the proposed governance arrangements. It was noted that the performance of the NTMA's role, as delegated/directed by the Minister for Finance, would be reported to the Agency through the Chief Executive's Report and also through the Audit and Risk Committee. The Agency agreed that the greater the transparency around the escrow arrangements the better.

8. NTMA CORPORATE STRATEGY 2017-2019

The CFOO presented the draft NTMA Corporate Strategy (Parts 1 and 2) for the Agency's review and approval. He noted that the Strategy was the same as considered by the Agency at its meeting of 29 March. Following that meeting, Part 2 of the Strategy had been sent to the Minister for Finance for his views. The NTMA had also engaged with officials from the Department of Finance as part of this process. The Minister had not requested any changes to the Corporate Strategy.

IT WAS RESOLVED that the *NTMA Corporate Strategy 2017 – 2019* as presented to the Agency be approved.

The CFOO noted that, as agreed at the meeting of 29 March, the strategy setting process and timetable would be brought forward with the draft Corporate Strategy 2018-2020 to be reviewed at the Agency's November 2017 meeting.

9. SCA STRATEGY COMMITTEE

The Secretary presented a paper proposing the formal establishment of the SCA Strategy Committee (the "Committee"). He noted that the paper also proposed limited changes to the Committee terms of reference regarding membership arising from discussions at the Agency's November 2016 meeting. The Secretary noted that the criteria for external membership and the proposed external members had been discussed with the Remuneration Committee and subsequently with the Committee Chairperson designate (Mary Walsh). He had discussed the meeting paper with the Remuneration Committee Chairperson (Maeve Carton) who was unable to attend the meeting and she had confirmed she was satisfied with the approach proposed in the paper. The Secretary advised that the proposed fee for Committee members was subject to the consent of the Minister for Finance.

The Agency was satisfied with the approach proposed in the meeting paper. **IT WAS RESOLVED** as follows:

- (i) that the terms of reference of the Committee be amended as presented to the Agency.
- (ii) that the following appointments be made to the Committee:
 - a. Mary Walsh be appointed as Chairperson of the Committee, for a period of 3 years from the date of establishment, or until she is no longer an Agency member (whichever is the earlier).
 - b. Derek Moran be appointed as a member of the Committee, for a period of 3 years from the date of establishment, or until he is no longer an Agency member (whichever is the earlier).
 - c. Sabaratnam Arulkumaran, Tom Beegan, Donogh Crowley and Colm Lavery be appointed as members of the Committee, for a period of 3 years from the date of establishment.
- (iii) that an annual fee of up to €12,500 be paid to the members of the Committee who are not members or employees of the Agency, subject to the consent of the Minister for Finance as required under section 5B(6) of the NTMA Act 1990 (as amended).

- (iv) that the date of establishment of the Committee be 3 July 2017 – subject to Ministerial consent to the proposed fee.
- (v) that the Agency Personal Account Transaction Policy not be applied to members of the Committee who are not also members of the Agency.

10. AOB

The Secretary noted that it was proposed to carry out the Agency self-assessment process during the summer with the Agency carrying out its performance review at its September meeting. This was the second year of the process and it was proposed that it be based on a questionnaire (which would allow for detailed comment) as per last year. The Chairperson added that it was planned to have the review externally conducted in 2018 – the third year of the process.

The CLO noted that it was expected that the AIB IPO would be announced shortly. He reminded members of their obligations under the Agency Personal Account (PA) Transaction Policy and said that both he and the Head of Compliance were available to answer any queries members may have. With regard to his pre-approval role under the PA transaction policy, the Chairperson advised that the Chairperson of the Audit and Risk Committee would act as his alternate should he be uncontactable at short notice.

There being no further items, the Chairperson brought the meeting to a close.

Martin Murphy
Meeting Chairperson

11 July 2017