



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

**MINUTES OF MEETING OF THE
NATIONAL TREASURY MANAGEMENT AGENCY
HELD BY CONFERENCE CALL AT 2.00PM ON 12 JULY 2016 AT
TREASURY BUILDING, LOWER GRAND CANAL STREET, DUBLIN 2**

PRESENT: Willie Walsh, Chairperson
Maeve Carton
Brendan McDonagh
Derek Moran
Martin Murphy
Conor O'Kelly
Mary Walsh
Robert Watt
Susan Webb

IN ATTENDANCE: Adrian O'Donovan, Secretary (except Item 11)
Ian Black, Chief Financial and Operating Officer (CFOO) (except Item 11)
Andrew O'Flanagan, Chief Legal Officer (CLO) (except Item 11)
Frank O'Connor, Director, Funding and Debt Management (Item 7 only)
Eugene O'Callaghan, Director, ISIF (Item 8 only)
Saoirse O'Connor, Credit/Project Finance Manager, ISIF (Item 8 only)
Ciaran Breen, Director, SCA (Item 9 only)
Breda Macnamara, Head of Compliance (Item 10 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, the members each declared that they had no interest in the business to be transacted at the meeting.

3. MINUTES AND MATTERS ARISING

The Chairperson noted that draft minutes of the meeting of 24 May 2016 had been circulated to the members in advance of the meeting. **IT WAS RESOLVED** that the minutes be approved and that they be signed by the Chairperson.

The CFOO updated the Agency on a review the NTMA had undertaken of its controls in the light of recent events pertaining to the security of the SWIFT payments system. The NTMA was also engaging with SWIFT on this issue. He would report to the Audit and Risk Committees at their September meetings.

4. COMMITTEE REPORTS

4.1 Risk Committee

The Risk Committee Chairperson, Mary Walsh, reported on the Committee meeting held on 16 June. She noted that the Committee had reviewed the results of the NTMA Strategic Risk Assessment as conducted by the Executive Risk Management Committee. While the overall profile was unchanged from that presented in Q4 2015, the Risk Descriptions had been updated. The Committee had also reviewed and approved the revised Anti-Fraud Policy, subject to amendment to address points raised by the Committee.

4.2 Investment Committee

The Investment Committee Chairperson, Brendan McDonagh, reported on the Committee meetings held on 31 May and 27 June and on the investment proposals reviewed by the Committee at these meetings. He noted that at the meeting of 27 June the Committee had resolved to recommend to the Agency a proposed refinancing of the €450m debt facility for Irish Water. This would be considered separately at Item 8 of the agenda.

4.3 Remuneration Committee

The Remuneration Committee Chairperson, Brendan McDonagh, reported on the Committee meeting held on 20 June for the purposes of considering (i) a short-list of candidates for consideration in respect of the current vacancy on the Investment Committee and (ii) a process to feed into and liaise with the Public Appointments Service (PAS) process for Agency appointments.

He said that the Committee had agreed to recommend to the Agency that Mark Ryan be appointed to the Investment Committee. The appointment was subject to the consent of the Minister for Finance.

On the recommendation of the Remuneration Committee, **IT WAS RESOLVED** that, subject to the consent of the Minister for Finance as required under section 5A(3)(b) of the NTMA Act 1990 (as amended), Mark Ryan be appointed to the Investment Committee for a three year term.

5. CHIEF EXECUTIVE'S REPORT

The Chief Executive presented his Report. He summarised market developments following the results of the UK Brexit referendum, noting that a fuller analysis would be considered by the Agency under Item 7 of the agenda. He briefed the Agency on arrangements for the publication of the NTMA Annual Report 2015 and on recent staffing initiatives.

The Agency noted the Chief Executive's Report. It queried if there had been any changes to flows in the retail savings products following the recent announcement of new issues of the fixed rated State Savings products and changes in variable interest rates. The Chief Executive said that flows remained positive, if somewhat reduced, but it was too early to make a definitive judgment.

The Agency noted the Report on Delegated Matters Notifiable to the Agency. The Secretary informed the Agency that, subsequent to the circulation of the Report, the Management Infrastructure Committee had approved the financial close and contract award of the Schools Bundle 5 PPP Project to the preferred tenderer – Inspiredspaces.

6. ISIF OPERATING BUDGET 2016

The CFOO presented the revised ISIF Operating Budget 2016. Arising from the implementation of the Global Portfolio Transition Strategy (GPTS) an increase in the Budget was requested as a result of clarity on the proportion of management fees to be invoiced directly to the ISIF, and thus impacting on its operating budget, rather than charged within ISIF investment vehicles.

The Agency noted that the revised budget was due to the increased proportion of investment management fees being charged directly to the ISIF rather than within investment vehicles and did not represent an increase in the “all-in” costs of managing the ISIF.

IT WAS RESOLVED that the revised ISIF Operating Budget 2016 as presented to the Agency be approved.

7. POST BREXIT REFERENDUM UPDATE

The Director, Funding and Debt Management gave a post-Brexit referendum update including implications for growth, market reaction, the Exchequer funding position and credit rating agency reaction.

The Agency noted that markets had steadied following the initial reaction to the referendum result. However, further volatility could be expected as markets began to focus on the longer-term economic implications and as clarity emerged on the terms on which the UK would leave the EU. It noted that a lot of work had been carried out on the likely economic impacts across the NTMA and that management was also reviewing the implications of the Brexit referendum for the NTMA from an enterprise wide perspective.

The Agency agreed to revisit this issue in more detail at its September meeting and that it should, for now, become a standing item on its meeting agenda.

8. ISIF INVESTMENT PROPOSAL – IRISH WATER

The Director, ISIF presented an investment proposal for a total debt reinvestment of €450m in Irish Water. ISIF debt facilities provided to Irish Water, totalling €450m, would mature in August and November 2016. Ervia, who manage the treasury function of its subsidiary, Irish Water, had requested the ISIF to refinance the existing facilities for a further year, both new facilities maturing August 2017. He noted an Agency decision was required in respect of this investment proposal as the amount of the proposed investment was greater than €150m.

The Agency reviewed the proposed investment as recommended by the Investment Committee and noted that the pricing structure had been benchmarked against market. It stressed the importance of ensuring that the ISIF’s position was the same as that of other investors. The Director, ISIF confirmed that this was the case.

On the recommendation of the Investment Committee, **IT WAS RESOLVED** that the proposed total debt investment of €450m in Irish Water by the Ireland Strategic Investment Fund, representing a refinancing of the existing total debt commitments, be approved, subject to completion of legal and tax due diligence and finalisation of all necessary legal agreements to the satisfaction of the Director, ISIF and the Chief Legal Officer.

9. SCA REVIEWS

The Chief Executive updated the Agency on the preliminary findings of the organisational review of the SCA carried out by PwC to ensure that the SCA was optimally configured to enable it to effectively and efficiently deliver on its mandates in the future. He said PwC would make a formal presentation on the full report at the Agency's September meeting.

The Director, SCA presented the results of the structured engagement process with key external stakeholders undertaken by Behaviour & Attitudes. He noted that the findings of the structured engagement process had informed the organisational review.

The Agency noted that the results of the review were very positive. It agreed that it would discuss the findings of the structured engagement process more fully when it considered the organisational review at its September meeting. In this context, a summary of next steps arising from the review's findings would be useful.

10. GOVERNANCE ITEMS

10.1 Reserved Matters

The Secretary detailed a number of proposed amendments to the Schedule of Matters Reserved for Decision by the Agency in the light of developments since the Schedule was last reviewed in September 2015. He also outlined work done in consolidating the various delegated authorities across the NTMA into a single document (the "Consolidated Delegated Authorities"). It was proposed that the Consolidated Delegated Authorities be reviewed by the Audit Committee on an annual basis (with the first such review to take place before end-2016).

IT WAS RESOLVED that:

- (i) the revised Schedule of Matters Reserved for Decision by the Agency as set out in Appendix 1 to the meeting paper be approved; and
- (ii) the Consolidated Delegated Authorities be reviewed by the Audit Committee on an annual basis.

10.2 Code of Conduct for Members of the Agency and its Committees

The Head of Compliance proposed a number of minor amendments to the Code of Conduct for Members of the Agency and its Committees as set out in the draft updated Code circulated with the meeting papers. She also drew the Agency's attention to a proposed new procedure regarding member receipt and confirmation of understanding of the Code.

Subject to a minor amendment to the wording in the proposed new paragraph in section 4 of the Code dealing with loyalty and commitment, **IT WAS RESOLVED** that the updated Code of Conduct for

Members of the Agency and its Committees as presented to the Agency and the procedure for acknowledging receipt and understanding of same set out in the meeting paper be adopted.

10.3 PA Transactions Policy

The Head of Compliance proposed a number of amendments to the Personal Account Transactions Policy, which applies to members of the Agency and its Committees relating to a change in the legislative regime concerning market abuse and the addition of Draper Esprit plc to the Pre-Approval List. She noted that the latter amendment had been approved by the Chairperson in line with the procedure set out in Appendix 3 of the Policy. That procedure required that any such approval will be submitted to the Agency for ratification at a subsequent meeting of the Agency.

The Agency noted that, subject to a check being undertaken to confirm there were no residual securities in issue, Aer Lingus should be removed from the Pre-Approval List.

IT WAS RESOLVED that the revised Personal Account Transactions Policy for the Agency and its Committees, as presented to the Agency, be approved.

11. AOB

The Chairperson proposed to defer the Review of the Agency's Effectiveness to the next meeting. In the meantime he would discuss with the Committee Chairpersons the points arising from the Committees' effectiveness reviews. This approach was agreed by the Agency.

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



Willie Walsh
Chairperson

20 September 2016