



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

**MINUTES OF MEETING OF THE
NATIONAL TREASURY MANAGEMENT AGENCY
HELD AT 2.00PM ON 20 SEPTEMBER 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
Ian Black, Chief Financial and Operating Officer (CFOO)
Andrew O’Flanagan, Chief Legal Officer (CLO)
Frank O’Connor, Director, Funding and Debt Management (Item 7 only)
Rossa White, Chief Economist (Item 7 only)
Anthony Linehan, Deputy Director, Funding and Debt Management (Item 8 only)
Nicola Commins, Analyst, Funding and Debt Management (Item 8 only)
Garrett Cronin, Partner PwC (Item 9 only)
Ronan Mulligan, Director PwC (Item 9 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 material interest in the business to be transacted at the meeting.

3. MINUTES AND MATTERS ARISING

The Chairperson noted that draft minutes of the meetings of 12 July and 25 August 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.

Arising from the minutes of the meeting of 12 July the Secretary noted that, as members had already been informed, Ministerial consent had been received to the appointment of Mark Ryan to the Investment Committee and he had been appointed for a 3 year term with effect from 18 July. He also briefed the Agency on the next steps being taken by the State Claims Agency arising from the findings of the structured engagement process with key external SCA stakeholders. Regarding the Personal Account Transactions Policy, he noted that Aer Lingus had been removed from the Pre-Approval list.

4. COMMITTEE REPORTS

4.1 Audit Committee

The Audit Committee Chairperson, Martin Murphy, reported on the Committee meeting held on 13 September. He noted the Committee had approved the updated Reporting of “Relevant Wrongdoing” and Protected Disclosures Policy and that the updated policy reflected guidance issued by the Department of Public Expenditure and Reform.

4.2 Risk Committee

The Risk Committee Chairperson, Mary Walsh, reported on the Committee meeting held on 13 September. She noted that the Committee had reviewed and approved the updated Counterparty Credit Risk Policy. The Committee had also reviewed the Risk Management Policy and Framework which has been updated to reflect progress in implementing the Framework since the initial version in September 2015 and to incorporate Internal Audit recommendations. Subject to some minor amendments, the Committee agreed to recommend approval by the Agency of the Risk Management Policy and Framework.

On the recommendation of the Risk Committee, **IT WAS RESOLVED** that the updated Risk Management Policy and Framework, as presented to the Agency, be approved.

4.3 Investment Committee

The Investment Committee Chairperson, Brendan McDonagh, reported on the Committee meetings held on 8 August and that morning, 20 September, and on the investment proposals reviewed by the Committee at these meetings. He also updated the Agency on the implementation of the investment strategy to date and the status of the investment strategy review. It was noted that management would consult the Departments of Finance and Public Expenditure and Reform at an early stage in the review process.

5. CHIEF EXECUTIVE'S REPORT

The Chief Executive presented his Report. He briefed the Agency on the out-turn of the September bond auction and the positive impact of the low yield environment on the Government's debt service costs. He noted that the NTMA was working with the Department of Finance regarding treasury aspects of the Apple tax case.

The Chief Executive also noted the impact of recent sales of companies in the ISIF's legacy VC portfolio and that these VC funds continued to perform strongly. He briefed the Committee on new projects in the transport sector received by NewERA and the status of the planned merger of the NDFA's project finance functions with Transport Infrastructure Ireland.

The Agency noted the Chief Executive's Report.

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

6. EXPENDITURE BUDGETS 2017

6.1 NTMA Expenditure Budget 2017

The CFOO presented the 2017 NTMA expenditure budget for approval by the Agency. There was a discussion on the factors underpinning the budget projections and the reasons for the increase by reference to the projected 2016 out-turn. It was noted that headcount - primarily driven by expansion in the State Claims Agency's mandates and increased volumes of claims - and associated premises costs were the main budget drivers.

IT WAS RESOLVED that the NTMA expenditure budget for 2017 be approved.

6.2 ISIF Expenditure Budget 2017

The CFOO presented the 2017 ISIF expenditure budget for approval by the Agency. He noted that the budget did not make provision for a portfolio management system and a separate business case in respect of this would be made to the Agency. He noted that the projected increase in investment management fees represented the full year costs of the Global Portfolio Transition Strategy and that the "all in" costs of the Fund (including fees charged within investment vehicles as well as those invoiced directly) were projected to remain within the projected long-term budget set out in the ISIF Business Plan.

Following review by the Agency of the assumptions underpinning the budget projections, **IT WAS RESOLVED** that the ISIF expenditure budget for 2017 be approved.

7. POST BREXIT REFERENDUM UPDATE

The Chief Economist and Director, Funding and Debt Management updated the Agency on economic and market developments following the UK Brexit referendum in June. The Director, Funding and Debt Management also updated the Agency on planned Exchequer funding for the remainder of the year.

The Agency noted that Irish Government bonds had rallied strongly since the Brexit referendum as markets anticipated that the ECB would be buying Government bonds for a longer period than originally signalled. The Agency noted that it would be necessary to use a broad range of economic indicators to gain a clear picture of the longer-term economic impact of the UK referendum, both in

Ireland and the UK, and that it would take some time for the trend in capital flows and investment plans to become clear.

8. CARBON FUND BRIEFING

The Deputy Director and Analyst, Funding and Debt Management briefed the Agency on the NTMA's role in purchasing carbon units and managing the Carbon Fund and on likely future requirements and role of the NTMA.

9. SCA REVIEW

The PwC representatives made a presentation on their Review of the State Claims Agency Operating Model. They noted that the purpose of the Review was to ensure that the SCA was optimally configured to meet the increasing demands for its services and fulfil its statutory obligations over the next 5 to 7 years.

The Agency discussed the findings and recommendations of the PwC Review as follows:

- The Agency endorsed the opportunities identified for enhancing the State Claims Agency's operating processes and encouraged management to proceed with them, with a particular focus on those that could be implemented quickly.
- The Agency noted the upward trend in active claims, particularly with regard to clinical claims, and the consequent implications for the Exchequer. While the SCA's risk management initiatives play a role in reducing the incidence of such claims, wider Government initiatives such as the introduction of pre-action protocols and periodic payment orders would also be important in mitigating costs. The Agency asked that it be kept updated on progress on these initiatives.

THIS ITEM HAS BEEN REDACTED IN PART.

10. GOVERNANCE

10.1 Travel and Expenses Policy

The Secretary said that the Travel and Expenses Policy for members of the Agency and its Committees (as circulated with the meeting papers) was subject to annual review. No changes to the policy were proposed. The Agency reviewed the Travel and Expenses Policy and was satisfied that no amendments were required.

10.2 Code of Practice on Confidentiality and Professional Conduct (Employee Code of Conduct)

The Head of Compliance noted that the NTMA had two codes of conduct in place: one for Agency and Committee members (this was reviewed at the July Agency Meeting) and a more detailed code for employees of the NTMA (excluding those assigned to NAMA, for whom there was a separate code, approved by the NAMA Board). There were a number of proposed updates to the Employee Code of Conduct, which were reviewed by the AMG at its meeting of 6 September last and were now recommended for approval by the Agency. The Head of Compliance drew the Agency's attention to

a minor drafting amendment she proposed to make to include an additional bullet point on confidentiality in the section on integrity.

Subject to this amendment, **IT WAS RESOLVED** that the revised Code of Practice on Confidentiality and Professional Conduct, as presented to the Agency, be approved.

11. ICT UPDATE

The CFOO provided a summary update to the Agency on execution of the ICT strategy and progress on key ICT developments.

The Agency noted the ICT Update. It queried the IT governance arrangements in place at executive level. The CFOO said that the AMG functioned as the IT Steering Group for oversight of ICT strategy and review of major ICT project and programme management and delivery.

The Agency also noted the importance of cyber-security awareness and training across the organisation. The CFOO said that training had been put in place to address this issue.

12. AOB

The Secretary noted that an updated Code of Practice for the Governance of State Bodies had been issued. He said management were currently reviewing this and would report to the Agency on any new obligations or other issues arising from the revised Code at its November meeting.

Willie Walsh
Chairperson

29 November 2016