



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

**MINUTES OF MEETING OF THE
NATIONAL TREASURY MANAGEMENT AGENCY
HELD AT 10.30AM ON 29 MARCH 2017 AT
TREASURY BUILDING, LOWER GRAND CANAL STREET, DUBLIN 2**

PRESENT: Willie Walsh, Chairperson
Maeve Carton (except Items 10 and 11)
Gerardine Jones
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 6 only)
Rossa White, Chief Economist (Item 6 only)
Donal Steele, Senior Project Manager (Item 8 only)
Ken Jordan, Head of ICT (Item 10 only)
John O’Donovan, Head of ICT Operations (Item 10 only)
Carol Ann McGough, Head of ICT Security and Networks (Item 10 only)
Colman Morrissey, Managing Director, BSI Espion (Item 10 only)
Stephen O’Boyle, Head of Professional Services, BSI Espion (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. He welcomed Gerardine Jones as a member of the Agency. 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 meeting of 31 January 2017 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.

There were no matters arising from the minutes, other than matters dealt with elsewhere on the agenda.

4. COMMITTEE REPORTS

4.1 Audit and Risk Committee

THIS ITEM HAS BEEN REDACTED IN PART.

The Audit and Risk Committee Chairperson, Martin Murphy, presented the Report of the Committee meeting held on 21 March. He said there were two items arising out of the meeting in respect of which the Committee was making recommendations to the Agency (the internal audit contract and the review of the System of Internal Financial Control).

The initial contract period with the current Outsourced Internal Audit service provider, KPMG, was due to expire on 31 October 2017 (the NTMA had discretion under the Engagement Letter with KPMG to extend the contract duration for a period of up to two additional years). The Committee had reviewed the options with regard to the Internal Audit function and had agreed to recommend to the Agency the extension of the contract for the maximum permissible period of two years. The annual existing fixed fee for the services would remain in place for the two additional years.

On the recommendation of the Audit and Risk Committee, **IT WAS RESOLVED** that the contract with the Outsourced Internal Audit service provider (KPMG) be extended for an additional two years (to 31 October 2019).

The Committee Chairperson advised that the Committee had reviewed and was satisfied as to the effectiveness of the system of internal financial control, as set out in the paper presented with the Committee Report to the Agency meeting, and had recommended the Statements of Internal Financial Control for inclusion in the financial statements of the NTMA and the Carbon Fund.

The Agency reviewed the effectiveness of the system of internal financial control and concluded that it was satisfied as to the effectiveness of the system.

On the recommendation of the Audit and Risk Committee, **IT WAS RESOLVED** that the Statements of Internal Financial Control as presented to the Agency for inclusion in the financial statements of the NTMA and the Carbon Fund be approved.

The Committee Chairperson noted that the Committee had reviewed the Strategic Risk Assessment (SRA). The Secretary added that it was planned to include the principal risks as set out in the SRA in the 2016 Annual Report. The draft SRA had been circulated with the Audit and Risk Committee Report. The Agency was satisfied with the SRA as presented to it.

The Committee Chairperson also noted that the Committee had approved the draft Governance Section for inclusion in the Annual Report.

4.2 Investment Committee

The Investment Committee Chairperson, Susan Webb, reported on the Committee meetings held on 27 February and that morning, 29 March, and on the investment proposals reviewed by the Committee at these meetings. She also briefed the Agency on the Committee's quarterly review of the Irish Portfolio and on its first formal review of the Global Portfolio following the implementation of the Global Portfolio Transition Strategy. She said the Committee had agreed a process for updating of the Committee by management when a transaction was not closed within six months of receiving Committee approval.

The Committee Chairperson said the Committee had reviewed a proposed International Financial Services investment allocation. The Committee had previously discussed such an allocation in January 2016 and concluded that, from an economic impact perspective, it was not clear that an investment programme in this area represented the most effective use of ISIF capital. The ISIF Unit had resubmitted the matter for consideration in the wake of Brexit.

Agency members expressed reservations about investment in this area, noting that the supporting economic impact analysis would need to make it very clear how 100% deadweight would not be attached to any investment proposals in the sector.

The Committee Chairperson updated the Committee on progress on the draft Investment Strategy review. It was noted that discussions with the Government Departments were focused on what was the appropriate size for the Fund.

5. CHIEF EXECUTIVE'S REPORT

The Chief Executive presented his Report. He noted that the NTMA was putting together a formal Project Team and Oversight Committee internally to manage its roles and responsibilities in relation to the Apple case. This was likely to be a resource intensive activity over the next six months. He updated the Agency on progress made in smoothing out the financing of the large volume of debt set to mature between 2018 and 2020. He also updated the Agency on the ISIF initiatives with regard to residential housing. He said he was liaising with the relevant Government Departments to clarify the way forward regarding the planned merger of the NDFA's project management functions with Transport Infrastructure Ireland.

The Agency noted the Chief Executive's Report.

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

6. BREXIT AND MARKET UPDATE

The Chief Economist and Director, Funding and Debt Management briefed the Agency on the likely effects on trade and the likely regional impact of a hard Brexit, recent developments in bond yields, the current funding position and planned issuance during Q2 2017.

The Agency discussed the implications for agriculture and tourism if the UK did not remain a member of the single market or customs union and reverted to WTO trade rules.

The Agency noted that the dual bond auction held in March had worked well and that the FDM team was satisfied with the yields achieved. It requested that the team brief it at a future meeting on the

likely implications for Ireland and for yields generally if and when the ECB's QE programme is wound down.

7. NTMA CORPORATE STRATEGY 2017-2019

The CFOO presented the NTMA Corporate Strategy 2017-2019 for the Agency's review and comment. He noted that the four strategic goals contained in Part 1 of the existing Strategy remain valid in the context of the NTMA's internal and external operating environments. It was proposed that Part 1 of the NTMA's corporate strategy remain unchanged and be rolled forward for the period 2017 – 2019. With regard to Part 2 (Business Unit and Corporate Function Goals), there were no proposed material changes to the rolling 3 year business goals and associated performance indicators. The business units and corporate functions had updated their annual targets for 2017. The CFOO noted that after the Agency meeting and subject to the inclusion of any changes the Agency might require, Part 2 of the Strategy would be sent to the Minister for his views. Following this it was intended to present Part 2 to the Agency for approval at its meeting on 23 May 2017.

The Agency was satisfied for the draft Corporate Strategy as presented to it to be submitted to the Minister. It discussed reporting to the Agency on the KPIs set out in the Strategy and asked that a dashboard be developed in this regard. It also agreed that the strategy setting process and timetable be brought forward with the draft Corporate Strategy 2018-2020 to be reviewed at its November 2017 meeting.

8. NTMA PREMISES

THIS ITEM HAS BEEN REDACTED IN PART.

The Senior Project Manager noted that, at the September 2015 Agency meeting, approval was received for the selection of Dublin Landings (formerly known as Project Wave) as the preferred property for the NTMA's long-term operating premises. In January 2017, the NTMA entered into an agreement for lease ("AFL") for floors 3-8 in Block D1 of the Dublin Landings Building, including an option to lease any of the other floors on the same commercial terms during a defined period. As set out in the meeting paper, approval was now sought to lease the remaining floors (lower ground to second floor inclusive) in the building.

The Agency reviewed the proposal noting that leasing the entire building would provide enhanced security to the NTMA and give it increased optionality around space and design and room for expansion if and as required. It reviewed the costs and risks associated with the proposal noting that the main risk was that the NTMA paid rent on excess floor space which it was unable to sub-lease. It noted that the AFL allowed the NTMA to sub-let or assign space to third parties.

IT WAS RESOLVED that that the Chief Executive be authorised to negotiate and approve the leasing of the remaining floors (lower ground to second floor inclusive) of Block D1 of the Dublin Landings building.

The Agency noted that in the revised 2016 Code of Practice for the Governance of State Bodies there was a provision regarding the seeking of Ministerial approval in advance of any material acquisition or disposal of land, buildings or other material assets proposed by a State body, including long-term leases. There was no such provision in the previous version of the Code which was in effect when the

Agency approved the selection of Dublin Landings as the preferred property for the NTMA's long-term operating premises. It was noted that the option for the lease of additional floors was included in the AFL of January 2017. However, in view of the additional space now contemplated it was suggested that the Minister's approval be sought for the additional floors given the provisions of the revised Code referred to above. It was suggested that management liaise with the Department of Finance regarding the appropriate course of action in the circumstances.

9. AGENCY COMMITTEES

9.1 Remuneration Committee Terms of Reference

The Secretary noted that, at its January meeting, the Remuneration Committee had agreed to recommend a limited number of amendments to its terms of reference to the Agency as set out in the meeting paper.

IT WAS RESOLVED that the terms of reference of the Remuneration Committee be amended as presented to the Agency.

9.2 Committee Appointments

The Chairperson made proposals to fill a number of Committee vacancies which were agreed by the Agency.

IT WAS RESOLVED that:

- (i) Gerardine Jones be appointed a member of the Investment Committee, with immediate effect for a period of 3 years, or until she is no longer an Agency member (whichever is the earlier).
- (ii) Maeve Carton be appointed a member of the Audit and Risk Committee, with immediate effect for a period of 3 years, or until she is no longer an Agency member (whichever is the earlier).
- (iii) Maeve Carton be appointed as Chairperson of the Remuneration Committee, with immediate effect for a period of 3 years, or until she is no longer an Agency member (whichever is the earlier).

The Chairperson also noted that Mary Walsh had agreed to take the position of Chairperson of the State Claims Agency Strategy Committee and Derek Moran had agreed to serve on the Committee: these appointments would be made when the Committee was being formally established.

10. CYBERSECURITY UPDATE

This item was a follow-on from the review of the cybersecurity threat landscape for financial services, the regulatory landscape, Directors/Board responsibilities and current challenges, and the NTMA specific update at the Agency's January meeting.

The Head of ICT Security and Networks made a presentation to the Agency on the NTMA's cybersecurity capability, the likely cybersecurity threats faced by the NTMA and its areas of cybersecurity focus in 2017.

The Head of ICT briefed the Agency on the website defacement incident which had taken place in February, on how the NTMA had responded to the incident and the measures put in place since to mitigate a recurrence. He noted that the website was hosted externally to the NTMA network and there was no impact on the NTMA's operational activities as a result of the breach.

The Agency noted the importance of the security of the State Claims Agency's National Incident Management System and of the third party systems run by An Post with regard to State Savings, given that State Savings' transactions were now taking place online. It agreed that the Agency should be updated later in the year on progress made in the NTMA's areas of cybersecurity focus in 2017 as outlined in the Head of ICT Security and Networks' presentation.

11. AOB

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

Willie Walsh
Chairperson

23 May 2017