



**REPORT OF THE
IRISH BANKING FEDERATION
ON BEHALF OF MEMBERS COVERED UNDER THE
CREDIT INSTITUTIONS (FINANCIAL SUPPORT) SCHEME
ON CORPORATE SOCIAL RESPONSIBILITY
IN COMPLIANCE WITH
SECTION 45 OF THE SCHEME**

18 MARCH 2009

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1. STATUTORY REQUIREMENT

Section 45 of the Credit Institutions (Financial Support) Scheme (hereafter 'the Scheme') as set out in Statutory Instrument 411 of 2008 specifies that:

"Each covered institution shall procure that the Irish Banking Federation, on behalf of all covered institutions, submits a bi-annual report to the Minister on goals and targets laid down by the Minister in relation to Corporate Social Responsibility, including the goals and targets with respect to the objectives of this Scheme, the delivery of the national payments strategy, the promotion of financial inclusion, the development of financial education and the implementation of the next phase of the Government's Social Finance Initiative. This report shall also be published on each covered institution's website within 5 working days of being issued".

Following Ministerial Orders made on 24 October and 5 November 2008, the following credit institutions and subsidiaries are 'covered institutions' for the purposes the Credit Institutions (Financial Support) Scheme 2008:

- 1) Allied Irish Banks, p.l.c. and its subsidiaries AIB Mortgage Bank, AIB Bank (CI) Limited, AIB Group (UK) plc and Allied Irish Banks North America Inc.;
- 2) Anglo Irish Bank Corporation Limited and its subsidiary Anglo Irish Bank Corporation (International) Limited;
- 3) The Governor and Company of the Bank of Ireland and its subsidiaries Bank of Ireland Mortgage Bank, ICS Building Society and Bank of Ireland (I.O.M.) Limited;
- 4) EBS Building Society and its subsidiary EBS Mortgage Finance;
- 5) Irish Life & Permanent plc and its subsidiary Irish Permanent (IOM) Limited;
- 6) Irish Nationwide Building Society and its subsidiary Irish Nationwide (I.O.M.) Limited;
- 7) Postbank Ireland Limited.

This report is submitted to the Minister for Finance on 18th March 2009, as the first bi-annual report in compliance with Section 45 of the Scheme.

This report will be published on each covered institution's website within five working days of being issued.

The next bi-annual report will be submitted to the Minister for Finance in September 2009.

2. INTRODUCTION

This report describes the Corporate Social Responsibility (CSR) activities of covered institutions relevant to Section 45 of the Credit Institutions (Financial Support) Scheme.

All covered institutions have published policy statements on CSR. Most covered institutions have detailed CSR policies and this is usually reflected in their corporate governance structure, with a dedicated CSR committee reporting directly or indirectly to the Board or to the Chief Executive.

The institutions with written CSR policies implement extensive CSR programmes, reflecting the full range of stakeholder and community interactions, integral to their role in the economy. Regular publications are a prominent feature of these programmes and institutions generally have a dedicated section in their annual report on CSR.

The scale and nature of CSR activities varies from one institution to another, depending on their customer base and business model, but all covered institutions have adopted and implemented various CSR strategies and policies. These not only include philanthropic activities but have been broadened to include people, environment, customer and supplier issues.

Through corporate giving, sponsorship and other practical supports, the covered institutions in Ireland provide a strong support network for a very wide range of activities. Whether in the field of community welfare, education, sports, culture or arts, such activities are essentially aimed at improving social inclusion and the quality of life in the wider community.

The principal areas of activity are:

Investing in the Community

Core themes tend to include supporting and regenerating communities to tackle social inclusion. Covered institutions provide national and local, tailored community support services targeting the vulnerable and disadvantaged members of the community.

Facilitating Learning

At a fundamental level, the focus is on promoting numeracy and literacy skills among all age groups. At the middle level, programmes are in place to further promote people's talents and abilities. At the next level, incentives and supports are available to allow access by the disadvantaged to third-level education.

Promoting Culture and the Arts

Promotion tends to take two forms as follows: support for arts and cultural events all around the country that allow wide community access and participation; and support for artists themselves to develop and sustain their talents.

Providing Access to Sports

From the local town and village right up to the national level, extensive support is provided to many sports disciplines. Such initiatives are very important building blocks for social inclusion.

Volunteering Expertise

Activities in this area reflect a growing focus on facilitating employee volunteer and mentoring programmes to complement other financial supports.

Four broad features are increasingly evident from the collective of CSR activities of covered institutions in Ireland:

- CSR policy and programmes are driven from the top – Board level
- CSR activities feature in banks' annual reports
- CSR initiatives are delivered in partnership with other bodies – such as relevant charities and non-governmental organisations
- CSR involves staff in its development and delivery

Full details of the broad range of activities covered within these programmes can be accessed through the following links:

AIB Bank Plc

www.aibgroup.com/csr

Anglo Irish Bank

www.angloirishbank.com/Investors/Responsibility_Governance_/Corporate_Responsibility

Bank of Ireland Group

www.bankofireland.com/about_us_new/index.html

EBS Building Society

www.ebs.ie

Irish Life & Permanent

www.irishlifepermanent.ie/ipm/corporaterespnew/reporting

Irish Nationwide Building Society

www.inbs.ie

Postbank

www.postbank.ie

Reflecting paragraph 45 of the Credit Institutions (Financial Support) Act, the remainder of this report will focus on four areas:

- Implementation of the National Payments Strategy
- Promotion of Financial Inclusion
- The development of Financial Education
- Implementation of the next phase of the Social Finance Initiative

3. IMPLEMENTATION OF THE NATIONAL PAYMENTS STRATEGY

3.1 Context

The National Payments Strategy is a key step in improving the competitiveness of the Irish economy and facilitating financial inclusion. Ireland has been lagging behind other countries in terms of modernising how consumers, businesses and the public sector make and receive payments. Some progress has been made but, there is a need for all stakeholders to accelerate the pace of change as it is estimated to cost the economy in the region of €1 billion each year. Significant analysis of this issue is underway, but in summary, three key issues emerge:

- **Businesses and the public sector remain significant users of cheques**
- **Consumers in Ireland still rely heavily on cash rather than electronic payment alternatives**
- **The need to ensure that developments in this area are informed by considerations with respect to financial inclusion**

These issues have been recognised in Government Policy initiatives including the

announcement, in the Budget October 2008 speech, of the establishment of a High Level Payments Strategy Group together with successive changes to the stamp duty regime pertaining to cheques and payment cards.

The covered institutions recognise the importance of the National Payments Strategy to the economy. For consumers it can bring about more choice in payment providers and formats, lower costs and enhanced convenience. For businesses it can lead to increased efficiency, convenience and security (e.g. e-invoicing), and overall reduction in administrative burden. Environmental benefits with the reduction in paper usage and transport are also evident.

Finally, the electronic payments landscape is being re-cast by the development of the Single Euro Payments Area (SEPA) and the Payments Services Directive, which through the establishment of EU-wide standards will clear the way for cross-border banking.

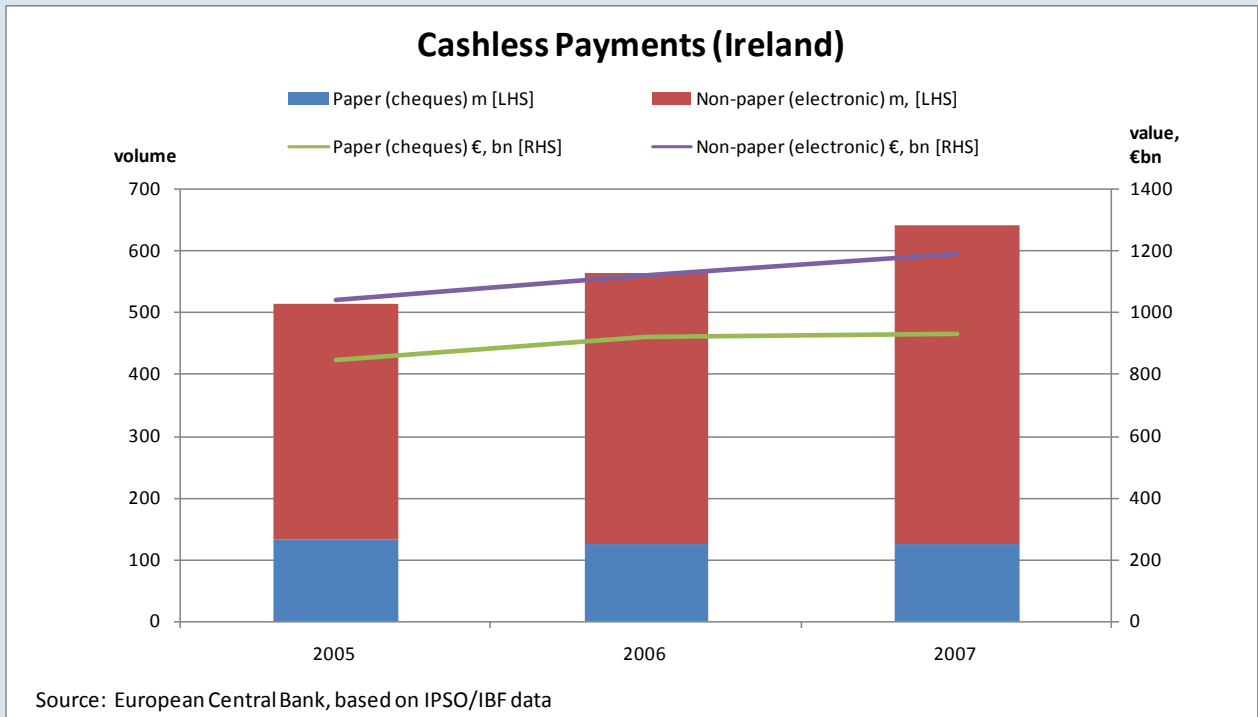
3.2 Actions being undertaken by covered institutions

Varying roles are played by the different covered institutions within the payments system and this is reflected in their involvement in the development and implementation of the National Payments Strategy. Of the covered institutions, three are clearing banks, whilst the remainder service their payment requirements via an agency relationship with a clearing bank, offering specific payments services to their customer base, to varying degrees.

All covered institutions directly involved in payments have a specific committee structure or nominated executive responsible for the development of their payments strategy. These institutions have developed their own forward-looking payments strategies, which are designed to be consistent with the emerging National Payments Strategy.

These institutions have indicated that they are prepared to participate in, or otherwise support as necessary, either directly or through their membership of the Irish Payment Services Organisation (IPSO) or IBF, the High Level Group on Payments Strategy as announced in the Budget (October 2008).

- They have achieved reductions in the range of 7% to 9.25% in cheque issuance by their customers for 2008 as compared to 2007. Current discussions envisage a targeted reduction in cheque issuance in the order of 10% per annum going forward



Cheques

Reducing the level of cheques issued by the covered institutions themselves is a key objective in supporting the National Payments Strategy. All institutions confirm that they have taken a range of measures designed to reduce their use of cheques across the different aspects of their business and that processes are in place to achieve further reductions.

The clearing banks have confirmed that:

- They have identified and engaged directly with their customers who are very high value cheque issuers with a view to reducing the level of cheque usage in Ireland

Electronic Payments

All institutions confirm that they engage with and support key stakeholders at domestic and EU level in promoting the changeover from cash and paper based transactions to electronic transactions.

In addition to having delivered SEPA credit transfers, the clearing banks have delivered products consistent with the objectives of the National Payments Strategy. These include: electronic/online bill payment, mobile phone top-ups, e-statements, pre-paid cards, electronic/online cross-border payments. In addition, non-clearing banks offer support for electronic and card based transactions.

The development of product offerings to encourage the move to electronic payments is a critical component of the National Payments Strategy. All institutions directly involved in payments currently have a SEPA direct debit project underway. Other product developments currently under consideration in this area include contactless payments and electronic billing services such as Electronic Bill Presentation and Payment (EBPP).

All institutions have worked constructively with policy makers at domestic and EU level in the development of the Payment Services Directive (PSD), which will regulate the provision of payments services from November 2009. All institutions have PSD implementation projects underway.

The graph above shows that electronic payments are growing in both volume and value terms, while further work is needed to incentivise consumers and firms away from cash and cheques and to encourage the use of more efficient and less costly electronic payments. Over the three years 2005 to 2007, the number of electronic transactions (credit transfers and direct debits) increased by 23.2% while the number of cheques in circulation fell by 6%. Encouragingly, the number of cards for electronic payments (credit and debit cards) increased by almost 50% over the period.¹ It is hoped there will be high take-up of the new SEPA payment facilities which will further increase this trend

¹ European Central Bank, based on IPSO/IBF data.

4. THE PROMOTION OF FINANCIAL INCLUSION

4.1 Context

Given that the most significant developments likely to take place over the coming period in relation to the bank-customer interface will be in the evolving world of payments, it is critical to ensure that financial inclusion is placed firmly within this context. Bringing those who are unbanked

into the financial realm is key to the National Payments Strategy as is ensuring that such groups avail of all the services and conveniences that come with operating banking facilities.

4.2 Actions Undertaken by Covered Institutions

Our society is heterogeneous and diverse and accordingly there are many different aspects to financial inclusion. Covered institutions have a range of response initiatives underway which target the financial inclusion of more vulnerable social groups.

Low Cost Banking Products

Clearly, the availability of low cost banking products is key to including those with lower means into the financial sector. All of the covered institutions provide one or more customer accounts which can be operated without transaction or maintenance charges, including specific product offerings aimed at vulnerable groups such as the elderly. For some institutions focused on the savings market, these accounts may not have a payment functionality. However, four of the covered institutions provide bank accounts with full electronic payments functionality without cost to the customer. Full details of these account offerings are maintained on a live database hosted by the Financial Regulator: www.itsyourmoney.ie.

In addition other products have been developed by institutions to meet the needs of groups, who might otherwise fall outside of the financial system. An example here is the 3v disposable credit voucher.

Basic Banking Products

There have been and continues to be discussions at national level and at EU level on defining how a basic bank account might best be constructed. Institutions have engaged across a range of fora with stakeholders including customers, potential customers, Non-Governmental Organisations such as Combat Poverty, the Homeless Agency, and the Financial Regulator on the promotion of financial inclusion.

Many institutions confirm that amongst their product offerings are products which meet the majority of the features of a basic bank account, as identified by Combat Poverty. Some of these are within the savings product suites, and the area which will require further focus is the objective of combining payment functionality against a backdrop of limited credit facilities.

Two institutions have confirmed that work is currently in progress in relation to the further development of a basic banking product in the context of the Recapitalisation Programme. All of the covered institutions, through their membership of IPSO and IBF, are prepared to participate in the deliberations of the sub group on financial inclusion which may be established under the aegis of the National Payments Implementation Programme. It is expected that within that group, an agreed standard

on basic banking products will crystallise, which will be necessary to add momentum to drive out developments in this area.

Special Needs

Another area where many of the covered institutions make significant efforts to maximise financial inclusion is that of addressing the special needs of people with disabilities. These can include facilitation of literature in Braille, hearing loops in branches, Browse Aloud websites, signature verification as alternative to Chip & PIN and designated customer care officials at branch level. All covered institutions also work to ensure that their customer websites operate to specified standards of accessibility in order to accommodate a range of specific needs with institutions endeavouring or attaining compliance with international standards such as W3C Web Content Accessibility Guidelines and the WA1 accessibility standards of the World Wide Web Consortium.

In addition, every effort is made to achieve accessibility for customers who use wheelchairs, with respect to both branches and ATMs.

Migrant Population

The growth in migrant populations over recent years saw many institutions developing specific product materials, channels and events to communicate effectively with such groups. Four of the covered institutions confirm that they have undertaken activities in this area, which include foreign language brochures in Polish or Chinese, maintaining an international help desk of foreign language-speakers, employment of non-Irish nationals, local meet and greet evenings held by branches for non-national consumers, and migrant business information events.

The IBF Personal and Business Account Switching Codes have also been translated into Polish, Chinese Mandarin, Lithuanian and Irish.

Coverage

Many institutions have nationwide coverage via their various distribution channels, which include branches, Internet, ATM's, Points of Sale (POS), Intermediaries and agency networks. There are 950 retail bank branches nationwide and over 3,400 ATMs which equates to one ATM for every 1,250 people, exceeding the European average.² Banking services are also offered through close to a thousand Post Offices nationwide.

Identification Requirements

Research³ has suggested that the identification requirements arising from Anti-Money Laundering (AML) and Interest Reporting requirements can present an obstacle to those wishing to open a bank account for the first time. Institutions seek to assist customers in proving their identity by working within the flexibility afforded by the AML Guidance Notes. In addition, the sector has proposed that the authorities consider an amendment to the procedures relating to address verification requirements which would enable a customer to open an account more easily.

Affordable Housing

Covered institutions are involved in the provision of loans as part of the Affordable Housing Scheme which assists first-time buyers in getting on the property ladder by purchasing a new house or apartment through their local authority. Institutions will continue to engage with the authorities as proposals in this area evolve to reflect the changing environment.

² Based on data provided by IPSO.

³ Combat Poverty Agency, *Submission on Criminal Justice (Money Laundering) Bill 2008*, 2008.

5. THE DEVELOPMENT OF FINANCIAL EDUCATION

5.1 Context

Financial education falls primarily under the remit of the Financial Regulator as part of its statutory functions to protect and inform consumers specified under the Central Bank Act 1942. The Financial Regulator publishes information on aspects of financial services, advice for those entering specific life-stages or circumstances, guides on types of financial products and product cost comparisons. The keystone of the Financial Regulator's consumer information programme is the website www.itsyourmoney.ie.

The updated [2007] national audit of education resource materials for personal finance in Ireland by the National Audit working group of the National Steering Group for Financial Education articulates that "there currently exists in the marketplace a wide and varying range of personal finance education resources, each of which contributes in its own way to the promotion of financial information and education, either within the education system or more widely among the adult population. A high proportion of these are provided, directly or indirectly, by the financial sector."⁴

The Financial Regulator is also expected to publish a report on financial capability in the near future. The Financial Regulator conducted research on financial capability in 2007 with the objective of evaluating consumers' abilities to manage money and budget their finances adequately, to plan financially for the future, and to assess and stay informed about financial products and services. The report will inform the Financial Regulator's consumer protection policy and regulatory framework.

Covered institutions support and supplement the Financial Regulator's financial education activities with initiatives that are targeted at both actual and potential financial services users. These initiatives can be categorised as targeting primary schools, secondary schools and adult education. Actions being undertaken by covered institutions.

⁴ National Audit Working Group of the National Steering Group for Financial Education, *National Audit of Education Resource Materials for Personal Finance in Ireland, 2007*, 2007.

5.1.1 Schools Programmes

Primary Schools

Covered institutions support financial education at a primary level through a variety of methods. Three covered institutions participate in the Junior Achievement Programmes by providing volunteers to deliver the Junior Achievement Programme in schools. Junior Achievement is one of Ireland's leading children's charities and is part of a worldwide organisation reaching out to 8.3 million young people every year. The financial literacy Junior Achievement programmes teach children how to manage and best utilise their money. More information on the Junior Achievement Programmes is available from www.juniorachievement.ie.

IBF, on behalf of its members, also provides the Money-Go-Round II programme on the [IBF website](#) which is designed to foster an early understanding of money and its sound management, provide a basic introduction to the realm of financial services and to lay the basis for critical and analytical thought in relation to primary students' future financial lives. The Money-Go-Round II programme was developed in conjunction with the Department of Education, the National Council for Curriculum and Assessment, and the Irish National Teachers' Organisation, and is accessible without charge.

Secondary Schools

Covered institutions are also active in supporting programmes of financial and

business education for secondary school students. As well as the Junior Achievement Programmes, partnerships are also in place with the Business Studies Teachers' Association of Ireland (BSTAI) and Business in the Community Ireland which can involve direct involvement by the institution's staff in mentoring and educating young people. Covered institutions also support learning tools and resources for secondary school students such as www.SKOOOL.ie.

Paymaster II is a unique internet resource provided by IBF on behalf of its members that is designed to help students understand personal finance management, budgeting, payment methods and sensible borrowing in relation to Junior Certificate Business Studies and Leaving Certificate Home Economics. The Bank Brief is another IBF information resource on banking-related topics that is designed to be used with business studies subjects at post-primary level. This programme was developed with the IBF working closely with teachers and students.

IBF also supports business and financial acumen by hosting the BSTAI Student Achievement Awards for the past twenty years which rewards achievements in Leaving Certificate Accounting, Business and Economics, and Junior Certificate Business Studies.

5.1.2 Adult Literacy

Credit institutions participating in the Government Guarantee Scheme are also active in the sphere of adult literacy. Most covered institutions produce product information guides to inform consumers while three institutions produce such literature in a Plain English format. Two

institutions also provide support in the form of grants and scholarships for third level education which broaden access for disadvantaged students. Covered institutions who provide these adult literacy initiatives generally engage with third party

stakeholders to inform their thinking in this area.

More than half of covered institutions have informative guides available on aspects of

financial services such as getting a mortgage for first time-buyers or a guide to pensions.

6. IMPLEMENTATION OF THE NEXT PHASE OF THE SOCIAL FINANCE INITIATIVE

6.1 Context

The Social Finance Foundation was established in response to proposals made in a number of reports over recent years promoting the development of social finance in Ireland by enhancing the level of resources available for social finance lending. The Minister of Finance announced in the 2006 Budget the Government's

intention to spearhead a Social Finance Initiative. The Government approved the establishment of the Social Finance Foundation as a not-for-profit company. The Social Finance Initiative is part of the Towards 2016 Social Partnership Agreement and is monitored by an Advisory Group of the social partners.

6.2 The Social Finance Foundation

Social finance is about making available loans at affordable interest rates to community-based projects and micro-enterprises projects which deliver a social as well as a financial return. The Foundation has set criteria for evaluating whether a project qualifies under the 'social' heading, such as:

- Building strong local communities and providing opportunities for individuals
- Addressing the disadvantaged, unemployed and vulnerable segments of our population

The loans allocated by the Foundation fall into two broad categories:

1. Finance for micro-enterprises where the individual is moving from state-dependency to self-employment

2. Augmenting community finance where there is a shortfall for a community initiative

The Social Finance Foundation complements the wide range of measures that are currently in place to promote and assist community infrastructure and local development. It also provides the opportunity to explore options for the future development of social finance provision in Ireland.

The Social Finance Initiative mobilises the potential present in all communities to ensure that the quality and standard of local community and social infrastructure is commensurate with the level of Ireland's economic development.

6.3 IBF Member Involvement and Contributions

The seed capital funding of €25 million was provided by the banking sector through IBF. The Social Finance Foundation supplies funding for projects through Social Lending Organisations (SLOs) which interact directly with borrowers. First Step Microfinance and Clann Credo were the first two SLOs to receive funding with several more

organisations in the pipeline to receive funding.

Significant progress has been made in putting into place a new financing model by contributing institutions to help secure long-term funding arrangements for SFF.

Covered institutions have to date provided almost €19 million in initial contributions to the funding of the Social Finance Foundation. Discussions on further support are being undertaken to enable the

Foundation to move towards a self-sustaining funding model.

Some €10.5 million has to date been allocated to various social and community enterprise projects all over the country.

6.4 Social Finance Success Stories⁵

Vantastic Dial-a-Ride, Dublin

Vantastic Dial-a-Ride was formed in 1995 to provide accessible transport on a professional yet affordable basis to people with disabilities. Clann Credo has been involved with the project since 2002, providing a number of loans to purchase vehicles and to fit out new office premises.

Operating seven days a week, Vantastic provides a fully accessible door-to-door transport service for people with disabilities in the Dublin area. From an operational base in Kilbarrack, North Dublin, the network of users stretches across North Dublin to Lucan and to Tallaght. The fleet now has 15 fully accessible vehicles and 21 professionally trained drivers. All drivers wear uniforms and are trained in disability awareness, basic first aid, vehicle harnessing and safety equipment.

In 2006 Vantastic completed 18,156 member trips with just under 900 members. Although the service has grown rapidly, it is still unable to fully meet demand. Its expansion plans from a medium term perspective are to increase the number of trips to over 50,000 by the end of 2010.

Social Benefit: The main social benefit is in allowing people with disabilities to engage in work, educational and social activities thereby allowing people with disabilities to continue to live in their own homes.

Ionad Tacaíochta Teaghlaigh Teo, Chonnamara, Co. na Gaillimhe

Ionad Tacaíochta Teaghlaigh Teo is a new, 1,000 square metre, Irish language-based family support centre, located in Cois Fharraige, Chonnamara, Co. na Gaillimhe. The centre will provide early education services, childcare facilities, language planning and consultancy services as well as a new pre-school facility, after-school services and counselling services – all through the medium of the Irish language. In 2007 Clann Credo provided loan finance for the project which is due for completion in time to cater for the intake of children from September 2008.

Since its establishment in 1984, CST, the local development co-operative, has identified a range of family and child support services needed to be delivered locally, through the Irish language, in order to promote the economic, social and cultural interest of their Gaeltacht area.

Social Benefit: The project will serve as a template for other communities involved in language planning, community co-operation and language philosophy. It draws together almost all the local community and voluntary sector organisations and statutory bodies, as well as the church, in the provision of this centre and its planned services in a not-for-profit environment.

⁵ Source: Paul O' Sullivan (CEO of Clann Credo), *About Banking* (Edition 7), May 2008.

Aughnamullen Sports, Leisure and Social Development Association, Co. Monaghan

May 2008 the Aughnamullen Community Group plans to successfully complete construction of a community hall and a 265 square metre fitness suite- with the help of loan facilities provided by Clann Credo.

Aughnamullen/Lough Egish is a rural community in Co. Monaghan which has suffered economic stagnation over two decades. A local community group, Aughnamullen Sports, Leisure and Social Development Association, saw potential for activities including indoor bowls, pool, badminton, Irish dancing and possibly also a playschool. The local GAA Club leased a small hall to the association, to which an additional floor has been added to house a fitness suite and changing rooms. This new centre will create at least one full-time and four part-time positions to manage and operate the fitness suite.

Without the loan facility from Clann Credo, the group risked losing grants already awarded by the Monaghan Task Force (Peace II Programme). Funding from the Peace Programme and the Sports Capital Programme could only be drawn down if matching finance were secured.

Social Benefit: In addition to providing necessary local services, the centre has a pro-active social inclusion policy to attract all groups within the community. They particularly work to encourage members of the local minority community to become involved in community activities and cross-community initiatives in the centre's social, community and recreational activities. Several members of the minority community sit on the Board.

More information on the Social Finance Foundation is available from www.sff.ie.

7. SUMMARY

This report sets out the context for and actions being undertaken by the covered institutions in the four areas of CSR identified in the Scheme.

The institutions recognise that the banking landscape in Ireland is in midst of considerable change; the final outcome from these developments must appropriately reflect the needs and interests of the broad range of stakeholders of the banking industry.

Over the coming period, covered institutions look forward to maintaining the momentum and focusing on the important areas outlined in this report. They will positively engage with the Minister for Finance and his officials over the coming months in order to build on the initiatives detailed. The next report will be submitted in six months time which will inform on further progress.