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Strategic Banking
Corporation of Ireland

**MINUTES OF A MEETING OF THE BOARD OF DIRECTORS
OF
STRATEGIC BANKING CORPORATION OF IRELAND
(THE "COMPANY" OR "SBCI")
DULY CONVENED, CONSTITUTED AND HELD AT
RATHSALLAGH HOUSE, DUNLAVIN, CO. WICKLOW
AT 10:30AM ON 8 SEPTEMBER 2016**

Present:

Conor O'Kelly *Chairperson*
Nick Ashmore
Barbara Cotter
Tom McAleese
Rosheen McGuckian
Ann Nolan
AJ Noonan
Richard Pelly
Eilis Quinlan

In Attendance:

Damien Mulholland *Secretary*
John Madigan *Marketing Manager*
Jillian Mahon *Head of Funding and Strategic Initiatives*
Ray Mangan *Senior Risk and Finance Manager*
Suzanne Sweeney *Head of Lending*
Breda MacNamara *Head of Compliance, NTMA (Item 5 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 circulated to all members entitled to attend the meeting and that a quorum was present. The meeting then proceeded to business.

2. DECLARATIONS OF INTEREST

For the purposes of Section 231 of the Companies Act 2014, Section 17 of the Ethics in Public Office Act 1995 and the Articles of Association of the Company, the directors present 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 meetings of 19 May and 20 June 2016 had been circulated to the Board in advance of the meeting. **IT WAS RESOLVED** that these minutes be approved and that they be signed by the Chairperson.

There were no matters arising from the minutes.

4. AUDIT AND RISK COMMITTEE REPORT

The Audit and Risk Committee Chairperson, Tom McAleese, reported on the Committee meeting held on 1 September 2016. He noted that the Committee had reviewed the draft Liquidity and Market Risk Management Policy and the updated Reporting of “Relevant Wrongdoing” and Protected Disclosures Policy and was recommending both these policies to the Board (these matters would be considered separately under Agenda Item 5).

The Committee Chairperson noted that the Committee had reviewed the full Risk Register. He proposed that it be presented to the Board for review. The Board agreed and requested that the full Risk Register be presented for review at its December meeting and annually thereafter.

5. POLICIES AND PROCEDURES

5.1. Personal Account Transactions Policy for the Board and Committees

The Head of Compliance presented the updated PA Transaction Policy to the Board. She noted that the proposed changes related to updates required due to a change in the legislative regime concerning market abuse.

The Board reviewed the updated PA Transaction Policy and noted the proposed changes to the existing policy. **IT WAS RESOLVED** that the Personal Account Transactions Policy for the Board and Committees as presented to the Board be approved.

5.2. Reporting of “Relevant Wrongdoing” and Protected Disclosures Policy

The Head of Compliance presented the updated Reporting of “Relevant Wrongdoing” and Protected Disclosures Policy (“Protected Disclosures Policy”) as recommended by the Audit and Risk Committee to the Board. She noted that the changes related to recently published guidance by the Department of Public Expenditure and Reform regarding the definition of ‘Penalisation’ and procedures in relation to anonymous disclosures.

The Board reviewed the updated Protected Disclosures Policy and noted the proposed changes to the existing policy. **IT WAS RESOLVED** that the Reporting of “Relevant Wrongdoing” and Protected Disclosures Policy as presented to the Board, be approved.

5.3. Other Appointments Guidelines

The Secretary presented the draft Other Appointments Guidelines to the Board and noted that it reflected comments made by the Board at its meeting of 25 February.

The Board reviewed the Other Appointments Guidelines. **IT WAS RESOLVED** that the Other Appointments Guidelines as presented to the Board be approved.

5.4. Code of Conduct for members of the Board and Committees

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

The Board reviewed the amendments to the Code. **IT WAS RESOLVED** that the updated Code of Conduct for Board and Committees as presented to the Board be approved.

5.5. Liquidity and Market Risk Management Policy

The Head of Funding and Strategic Initiatives presented the Liquidity and Market Risk Management Policy as recommended by the Audit and Risk Committee to the Board. She noted that the policy sets out the minimum acceptable standards to be adhered to and forms the basis for the management, monitoring and reporting of all liquidity and market risks.

The Board reviewed the Liquidity and Market Risk Management Policy and noted that it was subject to regular review. **IT WAS RESOLVED** that the Liquidity and Market Risk Management Policy as presented to the Board be approved.

6. REMUNERATION COMMITTEE

The Chairperson presented a proposal for the governance of remuneration in relation to SBCI staff which provided for the establishment of a Remuneration Committee as well as necessary amendment of the Schedule of Matters Reserved for Decision by the Board, as set out in the meeting paper.

IT WAS RESOLVED that:

- i. in accordance with Section 18(d) of the Articles of Association a Remuneration Committee be established;
- ii. the revised Schedule of Matters Reserved for Decision by the Board as presented to the Board be approved; and
- iii. the Remuneration Committee comprise of three members of the Board; Conor O'Kelly, Ann Nolan and Rosheen McGuckian.

The Board noted that the Committee would present terms of reference for consideration at its next meeting.

7. CODE OF PRACTICE FOR THE GOVERNANCE OF STATE BODIES

The Secretary presented a draft letter addressing the points raised by the Department of Finance in its letter of March 2016 regarding the SBCI's adoption of the Code of Practice for the Governance of State Bodies at its meeting of 1 October 2015. He noted that it would involve a limited modification of the way in which the SBCI had adapted the Code of Practice.

The Board reviewed the draft letter and noted the proposed changes to the SBCI's adoption of the Code of Practice. **IT WAS RESOLVED** that:

- i. the manner in which the Code of Practice for the Governance of State Bodies was being adopted by the Board be amended to provide for:
 - a. provision of interim unaudited accounts to the Department of Finance for the first half of each year and an interim report to the Minister for Finance on significant commercially sensitive developments in the preceding six months and likely developments for the rest of the year; and
 - b. provision of draft unaudited accounts to the Department of Finance not later than two months after the end of the financial year.
- ii. the draft letter to the Department of Finance be approved and forwarded to the Department of Finance on behalf of the Board.

The Board noted the publication of the new Code of Practice for the Governance of State Bodies, effective 1 September 2016. The Secretary advised that a working group had been established to map the new Code of Practice against the existing Code and he would report to the Board in December on new obligations or other changes arising.

8. CEO Report

The Board reviewed the CEO report. It noted developments in the on-lender pipeline since May 2016 and its current funding drawdown arrangements. The Board noted that it was not anticipated that further additional funding would be required before end-2016. Regarding strategic initiatives, the Board noted progress made including development of risk-sharing financial instruments and requested a proposal on risk sharing for consideration at its next meeting.

The CEO advised that the Department of Jobs, Enterprise and Innovation had asked the SBCI to take over the role of manager and operator of the Credit Guarantee Scheme in October 2016 on a full cost recovery basis. The Board confirmed its support for the schemes noting further information on any future schemes would be presented at its December meeting. **IT WAS RESOLVED** that the role of the SBCI as manager and operator of the Credit Guarantee Scheme be approved.

The Board discussed the establishment of a Credit Committee, its potential role in credit decisions and formulating credit policy. It noted that membership of the committee would comprise of 3 Board members, including the CEO and then the Head of Risk and an individual from the NTMA with specific SME credit experience. The Board requested that a paper proposing the establishment of a Credit committee be presented at the December meeting.

9. STAFFING PLAN 2017

The Senior Risk and Finance Manager presented the draft Staffing Plan 2017. He noted that the plan proposes a modest increase in headcount to reflect the expected deployment of key strategic initiatives as well continued growth of its existing business.

The Board reviewed the draft Staffing Plan 2017 and requested that it be revised to build in an additional risk resource to help support the expected business expansion.

10. BUDGET 2017

The Senior Risk and Finance Manager presented the draft Budget 2017. He noted the expenditure variances between Budget 2016 and the draft Budget 2017 mainly related to an increase in the NTMA recharge for the provision of additional NTMA services required to support the SBCI's expected business expansion.

The Board reviewed the draft Budget 2017. It requested further analysis of stress testing scenarios performed and to revert prior to finalising the budget.

11. AOB

The Secretary noted that the conversion of the SBCI to a designated activity company had been completed effective 28 July 2016 and that the new constitution had been added to the Governance reading room on BoardPad. The policies approved at the meeting would also be added to BoardPad.

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

Conor O'Kelly
Chairperson

1 December 2016