



BLIAIN AG FREASTAL AR AN BPOBAL
YEARS OF PUBLIC SERVICE



75 YEARS OF CHANGE

The Story of the Central Bank of Ireland

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BLIAIN AG FREASTAL AR AN BPOBAL
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75 Years of Change: The Story of the Central Bank of Ireland.

From its foundation in 1943, and throughout the 1950s and 1960s, the Central Bank of Ireland was tasked with specific, if initially limited, powers and functions, the most important of which was to *"safeguard the integrity of the currency"*.

Based in Foster Place, in Dublin city centre, the Central Bank guided Ireland through the difficult post-war years. As the economy improved and strengthened, so the institution grew in importance as it was delegated new roles and responsibilities.

Foster Place was built as a house of parliament by Edward Pearce in the 1700s, and subsequently extended at different stages by architects James Gandon, Robert Parke and Francis Johnston. It was originally home to the Central Bank's predecessor, the Currency Commission, and ownership passed to the Central Bank upon its establishment. The building was later sold to its current owners, Bank of Ireland.







"Some people imagine that central banks, if their powers are wide enough, and if they are used, can almost create a new heaven and new earth. I do not know that that has been tried anywhere."

Seán T. O'Kelly,
Tánaiste & Minister for Finance, 1942.

1943

“Creating Heaven and Earth”



The Central Bank was established in the former Currency Commission's offices in Foster Place.

Dr Joseph Brennan, previously chair of the Currency Commission, was appointed the first Governor. The Central Bank was not initially assigned some of the functions characteristic of other central banks; for example, the government retained a commercial bank, Bank of Ireland, as its banker.



Governor Appointed

President of Ireland, Douglas Hyde, on the advice of the government, appointed Dr Joseph Brennan as Governor for a statutory 7-year term.

Joseph Brennan was born in Bandon, Co. Cork, in November 1887. In May 1921, during the Irish War of Independence, he was introduced to Michael Collins and became financial advisor to the team negotiating the Anglo-Irish Treaty.

1946

Post-War Restraint!

The Central Bank drew attention in its Annual Report 1945/46 to the need for restraint in prices, wages and expenditure.

1949

Marshall Aid Lodged with the Central Bank

Following the Second World War, Ireland was included in the Marshall Plan to fund the rebuilding of European economies. In 1949, official accounts for this purpose were opened at the Central Bank of Ireland for the Minister for Finance, Patrick McGilligan.

A fixed exchange rate system existed between Ireland and the United Kingdom. The Central Bank issued a local currency, the Irish pound, at a fixed rate of exchange against sterling.

Although Ireland was neutral throughout the Second World War, the Irish pound remained linked to sterling and notes and coins continued to be minted in the UK.



"The bulk of the assistance came in the forms of loans, rather than grants . . . Washington's plans emphasised agricultural development."

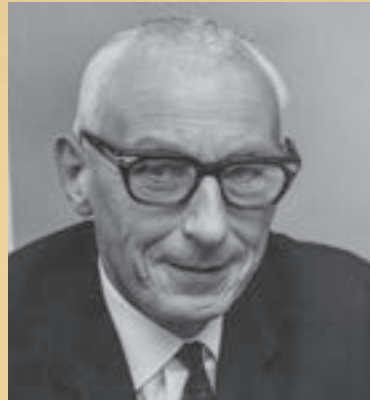
Bernadette Whelan, "Adopting the American Way: Ireland and the Marshall Plan", History Ireland

1953

Governor and Government Clash

In March 1953, Governor Brennan resigned following disagreements with the government over economic and financial policy matters.

The following month, Dr James J. McElligott, former secretary general of the Department of Finance, was appointed as his replacement.



A former member of the Irish Volunteers, James J. McElligott had fought in the General Post Office (GPO) during the Easter Rising of 1916. He was subsequently interned in Stafford Jail in England where, it is said, he occupied a cell next to Michael Collins.

A later governor of the Central Bank of Ireland, T.K. Whitaker, described him as

"possessing the wisdom of a serpent and the mildness of a dove."

1957

Bretton Woods

The Central Bank became the depository for Irish currency and other assets of the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development under the Bretton Woods Agreement Acts, 1957.



In 1957, the Central Bank of Ireland was based at Foster Place on Dublin's Dame Street.



Dr Maurice Moynihan

1964

A New Governor

Dr Maurice Moynihan, former secretary to the government, was appointed as Governor. During his term, the Central Bank assumed responsibility for the administration of exchange controls. He also initiated monetary research and economic policy formulation in the Central Bank.

1965

New Roles Include Exchange Controls

In 1965, the Minister for Finance, James Ryan, delegated to the Central Bank the normal day-to-day operations of exchange control, followed quickly by the management of the sovereign debt market. This marked the start of a gradual transfer of roles to the Central Bank as it moved closer to becoming the government's banker.



The Great Seal

In December 1965, a design by renowned Croatian sculptor Ivan Meštrović was adopted as the Great Seal of the Central Bank. Originally submitted for the Irish Free State's coinage competition in 1927, the design depicts an elegant female harpist playing the Dalway harp. W.B. Yeats described Meštrović's work as embodying "a violent rhythmical energy unknown to past ages".

1966

Remembering the Rising

In April 1966, the Central Bank issued a commemorative silver ten-shilling coin to mark the 50th anniversary of the 1916 Easter Rising.



1967

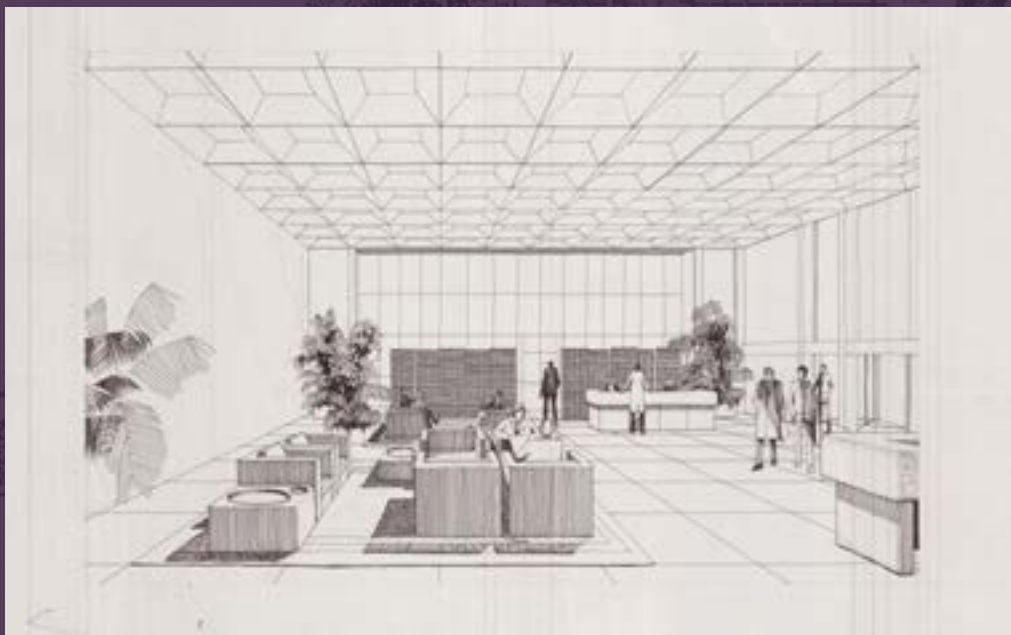
Move to a New Headquarters

In 1967, the Central Bank announced a proposal to erect a new office building, including vaults, in Dame Street, Dublin, “specifically designed to meet the present and foreseen requirements of the bank”.

Designed by architect Sam Stephenson, the first of many planning applications for the new building was submitted to Dublin Corporation in 1967. It would be over 11 years before the Central Bank was in its new home.



Sam Stephenson and T.K. Whitaker at the unveiling of plaque depicting Mr Henry Guinness, 1972.



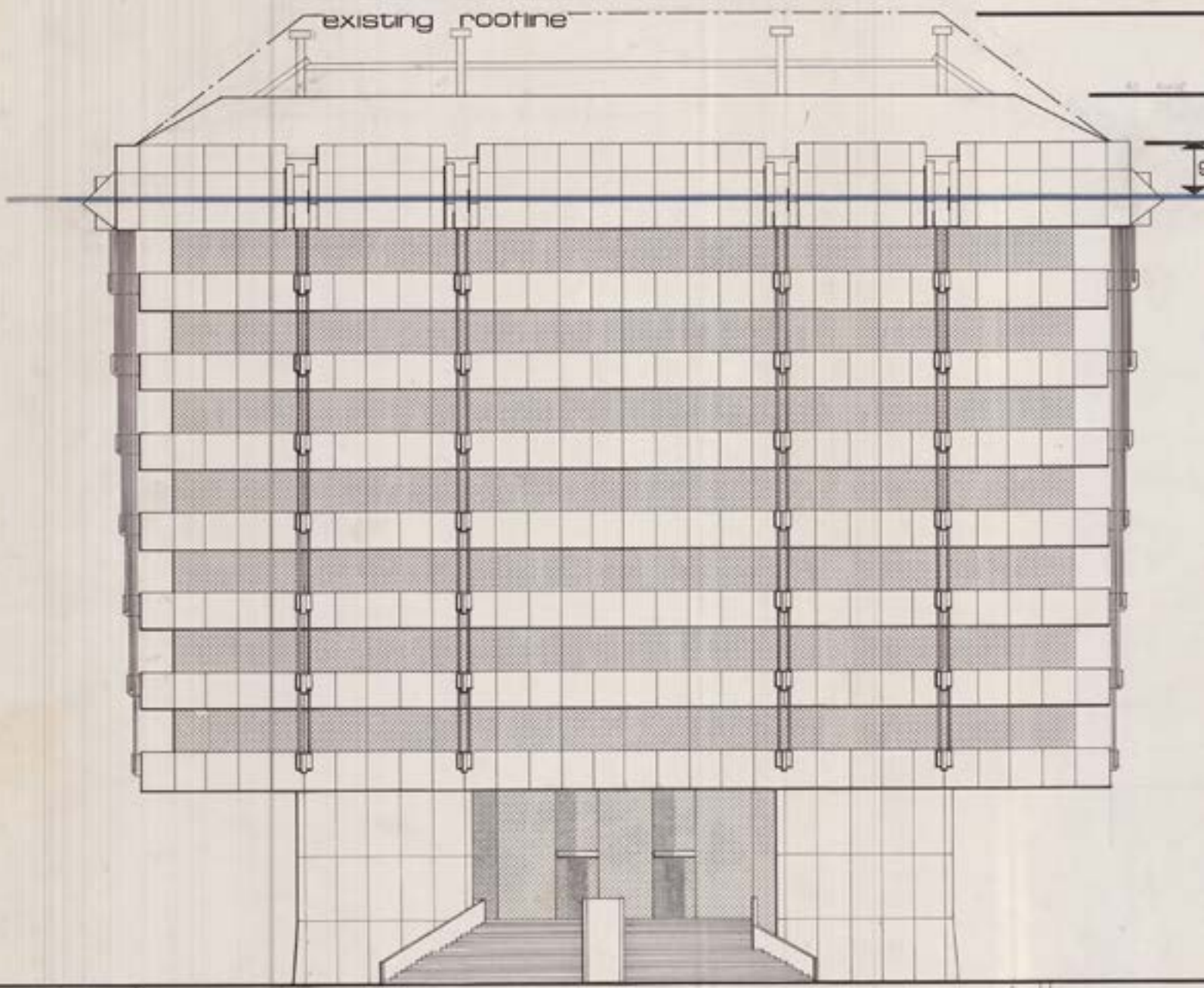
Entrance level layout drawing 1978.

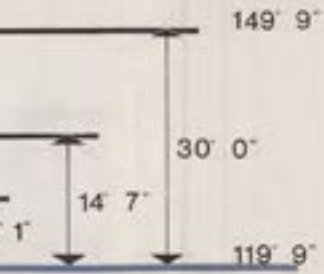
*Proposed front elevation
of the Central Bank of
Ireland's Dame Street
Offices featuring 13
floors, and including the
façade of Commercial
Buildings, 1968.*



ELEVATION TO DAME STREET

existing roofline





seventh floor

PROPOSAL

5

first floor

mezzanine

entrance

pavement 1,500

upper basement

lower basement

Stephenson Górnay
+ Associates
Architects
Industrial Designers

7 Hillier Place
Dublin 7
Telephone 8231

new offices
central bank
dame street

← Proposal No. 5, illustrating the complete structure of the Central Bank of Ireland's Dame Street Offices, including the existing roofline, 1972.



Proposed front elevation plan of the Dame Street Offices featuring 7 floors, and including the façade of Commercial Buildings, 1970.

1969

Whitaker Takes the Helm

"It was reported that Dr T.K. Whitaker had by warrant signed by the President and dated 16th December 1968, been appointed Governor as from 1st March 1969."

Central Bank of Ireland Minutes, 5 March 1969.



The final year of the 1960s was marked by the appointment of T.K. Whitaker to the position of Central Bank Governor.

Whitaker was a former secretary general of the Department of Finance who, in tandem with the government of the day, was credited with designing a policy in the 1950s that brought an end to isolationism and opened Ireland's economy to international investment. In 2002, RTÉ viewers voted Whitaker *'Irishman of the 20th century'*, and in 2003 he was given the ESB/Rehab *'Greatest Living Irish Person'* award.

On his death in 2017, at the age of 100, Whitaker was described as

"the most influential public servant in the history of the State"

Irish Times, January 2017.

1970s

The 1970s marked a period of enormous change for the Central Bank and the people that worked there.

Not only did it move into its new headquarters in Dame Street, it also saw its roles and responsibilities increase. In rapidly changing times for the Irish financial system, decimalisation was introduced and ties were built with Europe, heralding eventual monetary union in the 1990s.





Up until the opening of the Currency Centre in Sandyford, Irish notes and coins were printed and minted in the UK.

1970

Minting and Printing

The Central Bank acquired a site at Sandyford, Co. Dublin, for development of a currency centre to print notes and mint coins. Already designing the new headquarters in Dame Street, architect Sam Stephenson was appointed to design the new building, with stringent security measures built in. Printing of notes began in 1974 and the minting of coins following in 1976. Up until the opening of the Currency Centre in Sandyford, Irish notes and coins were printed and minted in the UK.



1971 A Change to Your Change!

On Decimal Day, 15 February 1971, Ireland followed the UK in introducing a decimal currency system. From that day forward, a pound was worth 100 pence.

Decimalisation was overseen by the Irish Decimal Currency Board, which amongst other roles, provided changeover information to the public including a pamphlet called Everyone's Guide to Decimal Currency.

Up until the introduction of decimalisation the Irish pound was made up of 240 pennies and the penny symbol was "d".

New Powers

In 1971, a new Central Bank Act came into effect, expanding the Central Bank's powers. The Central Bank's monetary policy powers were enhanced; it was given further responsibility for the Exchequer's account and for the licensing and supervision of banks.



The view that decimalisation caused inflation became embedded in folk history and many believed that history would be repeated a generation later with the introduction of the euro."

John Kelly, then Deputy Head, Central Bank of Ireland, Statistics Division from "The Irish Pound: From Origins to EMU", 2003.



Reports of the smooth change-over to decimal coinage throughout the country and of the favourable reception given generally to the new system were noted. The Governor was requested to convey, on behalf of the Central Bank, congratulations to the Irish Decimal Currency Board on the excellent manner in which this operation had been planned and executed."

Central Bank of Ireland Minutes, 4 February 1971.

1973 Ireland's Horizon Broadens

Ireland joined the European Economic Community (EEC) at the start of 1973. Governor Whitaker then became a member of the Committee of Governors of EEC Central Banks and the Board of Governors of the European Monetary Cooperation Fund.



Taoiseach Jack Lynch and Minister for Foreign Affairs, Dr Patrick Hillery signed the treaty of accession to the EEC in Brussels on 22 January 1972. 83% of the population of Ireland voted in favour of joining in a referendum and we became a full member on 1 January 1973.

The End of the Marriage Bar

First introduced in 1932, the Marriage Bar prevented women in the Civil Service, and in the Central Bank, from continuing to work outside the home when they married. In July 1973 this bar was lifted. Despite the change in legislation, it took some time for the number of women to rise within the Central Bank's workforce. It would take 40 years before women were appointed to senior leadership roles within the Central Bank.





1978

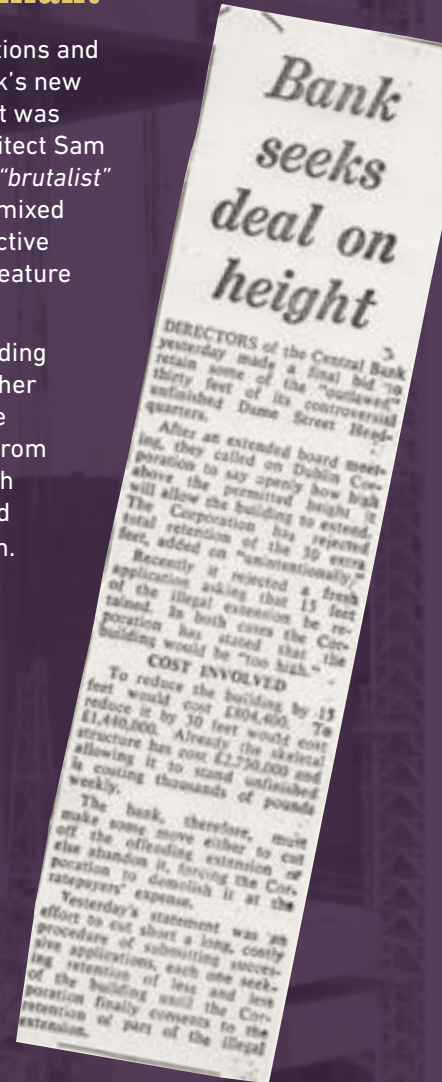
Brutalist and Brilliant

After seven planning applications and two appeals, the Central Bank's new headquarters on Dame Street was completed. Designed by architect Sam Stephenson, in the so-called "brutalist" style, the building opened to mixed reviews, but in time its distinctive design would become a key feature of the Dublin cityscape.

The structure of the new building was unusual for the time: rather than building up, the concrete floor slabs were suspended from twin concrete cores, with each entire floor slab being hoisted into place during construction.

"It took 3 years to build the Eiffel Tower, it has taken 11 years to build this 8-layered granite sandwich."

- Irish Business, February 1979.



Irish Independent, 1974.

1979

The Link is Broken

In 1979, the European Monetary System came into operation and Ireland became a full member of its Exchange Rate Mechanism (ERM), signalling the end of over 150 years of parity between the Irish pound and the pound sterling.



Up until the end of parity between the sterling and Irish pounds in April 1979, British notes continued to circulate freely in the Republic of Ireland.

1988

Marking the Millennium

As Dublin city marked its millennium, the Central Bank drew attention in its annual report to the “extraordinary accumulation” of national debt over the previous 10 years, thereby defining the magnitude of the task that lay ahead for fiscal policy.



To mark Dublin's millennium, the Central Bank issued a specially designed 50 pence coin.

1989

The Dawn of the Irish Financial Services Centre (IFSC)

A new Central Bank Act was passed in 1989, strengthening the organisation's licensing and supervision powers in respect of banking business. The Act also gave the Central Bank supervision responsibilities over certain institutions in Dublin's Irish Financial Services Centre (IFSC), which would become a major hub for international finance.



1989

The Tree of Gold

The Central Bank of Ireland commissioned Crann an Óir (Tree of Gold), by the sculptor Eamonn O'Doherty, to mark Dublin's year as European City of Culture. The work, which became the symbol of the Central Bank, was designed to symbolise "growth under careful management".



1992-1993

A Monetary System Crisis

In 1993, as the Central Bank marked its 50th anniversary, the Irish pound was devalued by 10% amid political uncertainty in Europe following the withdrawal of the British pound sterling and the Italian lira from the ERM.

THE BIRTH OF THE TIGER

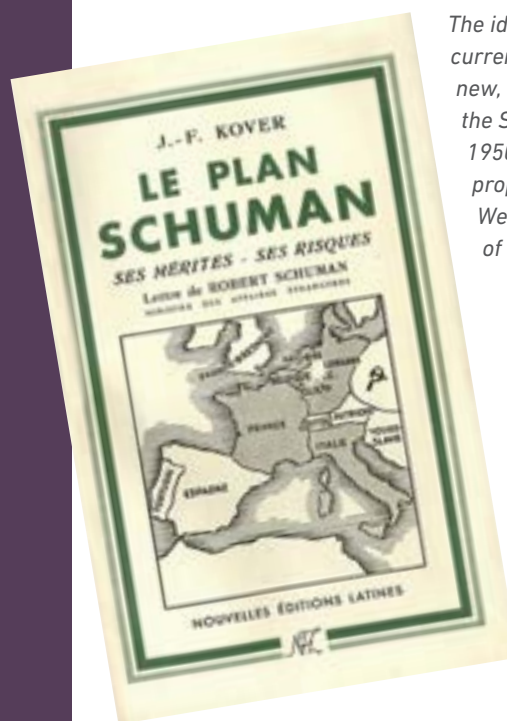
Following a period of painful consolidation in the late 1980s and early 1990s, which restored the public finances to sustainability, strong export-led growth transformed the economy in the second half of the 1990s.

Living standards rapidly converged with Europe. Unemployment, which was in double digits through the 1980s, averaged 4.5% in 2000. Public finances moved from persistent deficits to consistent surpluses and the public debt burden declined significantly.

1997

Regulating Payment Systems

The Central Bank Act of 1997 came into force and empowered the Central Bank to regulate payment systems. The Act gave the Central Bank the power to authorise all payment systems in the State and to approve the rules for such systems.



The idea of a single currency is not that new, it goes back to the Schuman Plan of 1950 and was again proposed in the Werner Report of 1970.



Since 1 January 1999, the European Central Bank (ECB) has been responsible for conducting monetary policy for the euro area – the world’s largest economy after the United States. The Governor of the Central Bank of Ireland sits on its Governing Council.

1998 **Towards a New Currency**

In the final years of the 20th century, 11 members of the European Union, including Ireland, fulfilled the necessary conditions for the adoption of a single currency, and the journey towards the introduction of the euro began.



In May 1998, the Euro Changeover Board of Ireland (ECBI) was launched.

1999

1st January 1999

As the 20th century drew to a close, a new millennium and a new financial era beckoned as the euro came into existence as a “virtual” currency. The Irish pound was irrevocably fixed to the euro and ceased to be an independent currency. It would reach our pockets three years later.

2000s



A highlight of this period was the introduction of the euro, however the world was plunged into a financial crisis in 2008. In Ireland, the banks came under mounting pressure, exacerbated by the collapse of the domestic property market.

The Irish government had to step in with emergency legislation to stabilise the financial system and to look for financial support from Europe and the IMF. This crisis resulted in public inquiries – including into the role of the Central Bank in the lead-up to the crisis – and sparked significant change and reform.



“It has been a great achievement to reach the historic point that we are at today. When the reality of the euro is made tangible in January 2002, as people have the coins and banknotes in their pockets, the advantage of a single currency and the accompanying stability will be clear to all.”

Maurice O'Connell, Governor, Central Bank of Ireland.

2000 Stocking Up

Although the euro did not reach our pockets until 1 January 2002, production of the coins and notes had begun in September 1999. In all, over 1 billion Irish euro coins were produced, with a value of €230 million and weighing about 5,000 tonnes. In June 2000, the printing of euro banknotes began in the Currency Centre - 300 million notes were produced with a value of about €4 billion.

2001 Getting Ready

The Central Bank started delivering coins to bank branches and larger retailers in September 2001. Delivery of euro banknotes began in November.

The logistics of the euro changeover were a huge undertaking, which took several years of planning and a few short weeks of implementation.



“Starter Packs” containing 19 coins to the value of €6.35 and costing £5 were made available to the public through post offices and credits institutions from 14 December 2001.



Every household in Ireland got a euro handbook and an electronic convertor.

2002

Euro Notes and Coins Launched

On 1 January 2002, euro notes and coins were introduced. Irish pounds were exchanged at a rate of 0.787564 cent. On 9 February, the dual circulation period, during which both the Irish pound and euro held legal tender status, ended. By the end of that period, the Central Bank had withdrawn 119.5 million Irish banknotes and 686 million Irish coins.

2002

An Unsustainable Economic Boom

The export-led Celtic Tiger era came to an end at the turn of the millennium as the bursting of the dot-com bubble led to a marked slowdown in Irish export growth.

The period of strong growth from 2002 to 2007 was driven by unsustainable credit growth. Economic growth figures that consistently exceeded EU norms hid a decline in underlying economic performance.

A credit fuelled housing market bubble saw house prices increase by 300% [and the share of construction output in GDP double in the decade to 2006]. Personal debt rose to unsustainable levels.

Windfall revenues from the construction boom that hid underlying weaknesses flattered the public finances. Government spending consistently exceeded growth in national income and the tax base was narrowed significantly.



The Central Bank on Dame Street was the only bank open on 1 January 2002, providing cash exchange services.

To this day, the Central Bank continues to exchange Irish pounds for euro. By the end of 2016, €227m worth of Irish pound banknotes remained outstanding. Check the back of that old couch!

2003

New Responsibilities

The Central Bank and Financial Services Authority of Ireland Act was enacted in 2003, establishing two separate entities: the Central Bank and the Irish Financial Services Regulatory Authority (IFSRA). The latter assumed responsibility for the regulation of all financial institutions operating in Ireland, including credit unions, moneylenders and insurers.



The Consumer Information Centre was a drop-in information centre for the public to ask questions about personal finance.

2007

A New Deal for Consumers

The Consumer Protection Code came into force in 2007. It outlined a set of rules and principles that all regulated financial services firms were obliged to follow when giving financial advice or providing financial products and services to consumers.



When you hear "regulated by the Central Bank of Ireland..." at the end of a radio commercial, or see it in the small print of an advertisement, it tells you that the company is governed by the rules of financial conduct set out in the Central Bank's Consumer Protection Code.

2008

A Global Crisis

In September 2008, the global banking firm Lehman Brothers collapsed, sparking a worldwide financial crisis. In a coordinated response to severe market upheaval, central banks around the world extended billions of dollars of liquidity to the financial markets. In Ireland, banks came under mounting pressure and this, combined with the collapse of the domestic property bubble, exposed huge weaknesses in their capital levels and loan books.

A Domestic Crisis

At national and European levels, steps were taken to protect small depositors and prevent people rushing to banks to withdraw their funds. In September 2008, the Irish Deposit Guarantee Scheme (DGS) was increased from €20,000 to €100,000 and was expanded to include credit unions for the first time. This scheme continues today.

Later that same month, in an effort to safeguard the stability of the Irish financial system, the Irish government introduced emergency legislation to provide an unlimited guarantee for all deposits and most liabilities that exceeded €100,000 in six Irish-owned institutions. The banks were recapitalised by the State, and Anglo Irish Bank was eventually nationalised in 2009. This scheme was amended in December 2009, becoming the Eligible Liabilities Scheme, and expired in March 2013. Both guarantees were for amounts in excess of the increased DGS, which operated throughout the period.

2009

Reform and Reflection

In the wake of the crisis, 2009 marked the start of a period of major reform.

In 2009, the government established the National Asset Management Agency (NAMA). Its role was to acquire property development loans from Irish banks with the aim of improving the availability of credit in the Irish economy and obtaining the best achievable return for the State.



Patrick Honohan was appointed Governor of the Central Bank in 2009. This was seen as a significant appointment as Honohan was the first Governor not to come from a Civil Service background.

2010 May

Central Bank Reform Act

In January 2010, the Central Bank Reform Act was enacted. The Central Bank and Financial Regulator were merged into a single unitary organisation overseen by the Central Bank Commission.

The Honohan Report

In May 2010, Patrick Honohan presented his report, “The Irish Banking Crisis. Regulatory and Financial Stability Policy 2003-2008”, to the Minister for Finance. It became known as “The Honohan Report”. He cited Government policy and the reliance of Irish banks on cheap external borrowings as factors which helped fuel the bubble. He also pointed out that the banks themselves had failed consumers. He was not sparing of the Central Bank itself.



"The intention is and the expectation is, on their part and personally on my part, that negotiations or discussions will be effective and a loan will be made available and drawn down as necessary."

Patrick Honohan,
"Morning Ireland", RTÉ Radio 1, 18 November 2010.

2010 November

Programme of Financial Assistance

The global financial crisis in 2008 had been the catalyst for catastrophic collapse in the domestic economy. Employment declined by over 300,000 or 15%. Unemployment surged from 4.5% in 2007 to 15.9% by the end of 2011. Housing output collapsed by almost 90% and house prices declined by over 50%. The significant downturn in revenues from construction revealed a large underlying deficit in public finances.

Despite early and decisive action to contain the crisis, it was clear by the second half of 2010 that Ireland would need assistance from its EU and international partners to return the economy to a sustainable path.

A three-year EU-ECB-IMF programme, also known as the Troika programme, was agreed to provide financial support to the Irish economy.

2014

A New Era of Banking Supervision

November 2014 marked a significant change to banking supervision with the introduction of the Single Supervisory Mechanism (SSM). The European Central Bank assumed responsibility for the supervision of euro area banks, including significant banks in Ireland.

The SSM was introduced to strengthen banking supervision and preserve the integrity of the single market in response to the crisis. In June 2012, the European Council decided that the countries of the euro area would create a single supervisory mechanism for banks. Such integrated supervision was deemed necessary to ensure that all euro-countries could have full confidence in the quality and impartiality of banking supervision. The specific nature of ECB oversight of euro area banks was agreed in March 2013 during Ireland's presidency of the EU.



Danièle Nouy, Chair of the Supervisory Board at the European Central Bank.

2015

New Mortgage Measures and a New Governor

In order to enhance both borrower and bank resilience, in February 2015 [under the governorship of Patrick Honohan], the Central Bank introduced new mortgage measures to guard against excessive lending and borrowing, thereby helping to safeguard financial stability.



In November 2015, Professor Philip R. Lane was appointed as the 11th Governor of the Central Bank.

2017

A New Home and a New Era

In 2017, the Central Bank of Ireland moved into its new headquarters on Dublin's North Wall Quay. Ironically, the structural shell of the building had once been meant for the now defunct Anglo Irish Bank, the organisation that had become a symbol of the financial crisis of 2008. Moving to a new home, at a time when the economy had been steadily improving for a number of years, marked a new chapter for both the Central Bank and the country.

The new building, designed by award-winning architects Henry J. Lyons, along with an existing building at Spencer Dock, forms the Central Bank's new Docklands Campus. The Currency Centre in Sandycove continues to perform the role of issuing euro currency.

The triangle is a key design feature in the building. It is a symbol of stability and features throughout our new home.



“The fact that this site was originally intended to host the new headquarters for Anglo-Irish Bank has invited much commentary. In one sense, history is again repeating itself. Foster Place was leased in perpetuity from Bank of Ireland. Commercial Buildings on Dame Street was formerly occupied by members of the Chamber of Commerce, the Stock Exchange, merchants’ offices and brokers. [...]

This juxtaposition is quite fitting in serving as an ongoing reminder of the severe economic and social damage caused by financial crises – a reminder to the Bank and our staff of our mission and the critical need to remain ever-vigilant, as much as to the public.”

Governor Philip R. Lane, Inauguration of Docklands Campus, 24 April 2017.



New Approach to Financial Regulation

In September 2017, the Central Bank restructured its approach to financial regulation by splitting the area into prudential regulation and financial conduct pillars. The new structure helps the Central Bank deliver its mission “*to safeguard stability and protect consumers*”.



Where to from here?

It has been an eventful 75 years, with highs and lows. Whatever opportunities and challenges arise, the Central Bank will continue to work hard to carry out its mission. The Central Bank of Ireland has changed and evolved a lot from its beginnings in 1943; it has been given new powers in response to challenges faced and continues to adapt to the changing economic and regulatory landscape, always with the goal of serving the public good.