



BILLE AN BHAINC CEANNAIS (RÁTAÍ ÚIS MORGÁISTE), 2015
CENTRAL BANK (MORTGAGE INTEREST RATES) BILL 2015

Bill

entitled

An Act to provide the Central Bank with the power to direct the covered institutions to lower mortgage interest rates in certain circumstances. 5

Be it enacted by the Oireachtas as follows:

Interpretation

1. In this Act—

“covered institution” means a credit institution or a subsidiary of a credit institution— 10

(a) that was specified by order by the Minister under section 6(1) of the Credit Institutions (Financial Support) Act 2008, and

(b) that had joined the Credit Institutions (Financial Support) Scheme 2008 (S.I. No. 411 of 2008) in accordance with paragraph 5 of the Schedule;

“interest rate” means the variable rate mortgage whereby the interest rate varies to reflect market conditions; 15

“Minister” means the Minister for Finance;

“mortgage exposure” means the volume of the bank’s distressed residential mortgage book as a proportion of their overall mortgage book;

“profitability” means the ability of a covered institution to maintain a profit in the market; 20

“the Bank” means the Central Bank of Ireland;

“viability” means the ability of the covered institution to sustain or maintain growth and development in the market.

Consideration of criteria

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2. (1) The Bank shall consider from time to time whether it is necessary to carry out a review of the rate of interest being charged by the covered institutions on standard variable rate mortgages and may issue a direction to a covered institution instructing it to vary the level of interest it charges on standard variable rate mortgages.

(2) The direction referred to in *subsection (1)* shall only be issued once the Bank has considered— 30

- (a) the current rate which the covered institution impose on standard variable rate mortgages,
- (b) any submission from the covered institution outlining the reason for the rate contained in *paragraph (a)*,
- (c) the interest rate which has been set by the European Central Bank and any recent changes to the European Central Bank's interest rate, 5
- (d) the profitability of the covered institution,
- (e) the viability of the covered institution,
- (f) the mortgage exposure of the covered institution,
- (g) the impact of the current rate on standard variable mortgage rate holders, and 10
- (h) any other information which is considered relevant for consideration by the Bank.

Direction to covered institutions

3. (1) Having considered the factors outlined in *section 2* the Bank may, issue a direction to a covered institution setting out the maximum rate of interest that institution may charge on standard variable rate mortgages. 15
- (2) In circumstances where the Bank, decides to issue a direction pursuant to *subsection (1)* the Bank must provide the covered institution with a report outlining the reason for the decision to issue such a direction.
- (3) Where the Bank decides that no direction will be issued to a covered institution instructing the institution to vary the level of interest charged to standard variable rate mortgages the Bank shall provide a report to the Minister outlining why no action is being taken. 20
- (4) Any direction issued pursuant to *subsection (1)* of this section shall lapse after a period of 12 months since the issuing of the direction unless renewed by the Bank.
- (5) Notwithstanding the generality of *subsection (4)* of this section, a covered institution may apply to the Bank to set aside a direction which has been issued pursuant to *subsection (1)* of this section after a period of 6 months since the issuing of a direction and if the Bank believes there is merit to such an application having considered the criteria set out in *section 2(2)* of this Act may agree to set aside the direction. 25

Reporting requirements 30

4. (1) The Bank shall report to the Minister annually on the use of the powers provided for under this Act.
- (2) The Minister shall have the power to seek interim reports from the Bank on his use or on his failure to use powers under this Act.

Regulations 35

5. (1) The Minister may make regulations as to the manner in which and the extent to which the Bank shall perform its functions under this Act.

- (2) The Minister shall make regulations setting out the manner in which the review specified in *section 2(1)* shall be carried out, including the notice period which the Bank must provide for the covered institutions of his intention to carry out such a review as well as the timeframe for submissions, for a decision and for the implementation of a decision.

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Offence

6. (1) A person commits an offence if he or she without reasonable excuse, does not comply with a direction issued by the Bank under this Act.
- (2) A person who commits an offence under this section is liable—
- (a) on summary conviction, to a class A fine or imprisonment for a term not exceeding 12 months, or both, or
 - (b) on conviction on indictment, to a fine not exceeding €250,000 or imprisonment for a term not exceeding 5 years, or both.

Commencement

7. (1) This Act shall come into operation on such day or days as may be fixed therefor by order or orders of the Minister.
- (2) This Act shall cease to have effect as and from 31 December 2017.

Short title and citation

8. This Act may be cited as the Central Bank (Mortgage Interest Rates) Act 2015.