



Tithe an
Oireachtais
Houses of the
Oireachtas

Joint Committee of Inquiry into the Banking Crisis

Clarification statement of

Eugene Sheehy

Strictly Private & Confidential

As indicated on its cover page, the document(s) contained within are confidential unless and until the Joint Committee decides otherwise including where the Joint Committee publishes such document(s). For the avoidance of doubt, "documents" include witness statements in this context. Further to section 37 of the Houses of the Oireachtas (Inquiries, Privileges and Procedures) Act 2013 ("the Act"), while the documents remain confidential, you must not disclose the document(s) or divulge in any way that you have been given the document(s), other than:

- "(a) with the prior consent in writing of the committee,
- (b) to the extent necessary for the purposes of an application to the Court, or in any proceedings of the Part 2 inquiry, or
- (c) to his or her legal practitioner."¹

Serious sanctions apply for breach of this section. In particular, your attention is drawn to section 41(4) of the Act, which makes breach of section 37(1) a criminal offence.

¹ See s.37 of the Houses of the Oireachtas (Inquiries, Privileges and Procedures) Act 2013

Question 1

Was either a draft guarantee or a suggested form of words brought to the meeting by AIB?

AIB did not bring either a draft guarantee or a suggested form of words to Government Buildings on 29 September 2008.

The evidence given to the Inquiry has established that the Government's meeting had been in process long before we arrived at 21.30. The evidence has also established that during the course of the night we were called into and dismissed from this meeting on four separate occasions.

As I outlined in my record of the events of that night, which has been put into evidence, during the third occasion on which we attended the meeting we were asked by Government to prepare suggestions on the form of the Guarantee we believed the Government would need to put in place in order to deal effectively with the ongoing liquidity crisis. We were then dismissed from the room and shown to a side room where we discussed the Government's request over the phone with our colleagues in Bankcentre, John O'Donnell and Colm Doherty. Our response, was to suggest the inclusion of a range of instruments (including subordinated debt) and a duration of two years, each of which were reflected in the eventual guarantee put in place.

It is possible that while we considered our response we could have made a short, handwritten note listing our proposed suggestions. Any such note could only have been a handwritten note as there were no computer, fax, copying or printing facilities available to us and if any such note was prepared at that time it would most likely have been handed to Government when we were recalled to the meeting for the fourth and final occasion. However, I have no recollection of having prepared or seen any such note and there is no reference to any such note in my record of the events of that night. In addition, I understand from all of the attendees of the meeting that night who have given evidence to the Inquiry that no record of any such note exists.

Question 2

Was this document handed over to any Government Official during the meeting and if so to whom?

Please see my response to question 1 above.

Question 3

Did the document include any reference to what should happen to sub-ordinated debt?

Please see my response to question 1 above.

Question 4

Was any part of the document reflected in the eventual guarantee put in place?

Please see my response to question 1 above.

Question 5.

When you left Government buildings that evening / early next morning what did you believe had been decided?

When I left government buildings early in the morning of 30 September 2008 I believed four institutions would be Guaranteed and Anglo and Nationwide would be closed down, nationalized or put into some sort of run off position and ring fenced. This is clearly set out in my contemporaneous record of the events that night, which has been put into evidence.

I had believed this was the course of action the Government would take even before I attended Government buildings that night and I had advised the AIB Board of this on 28 September 2008. This is clearly set out in the AIB Board minutes of that date which record, *“Mr. Sheehy reported that pressure was building in the Irish financial system, driven by an absence of liquidity. Consultations were being held with the Government and Central Bank and, while the timing of likely events was not known, the authorities expected that two financial institutions would fail (unless ‘white knights’ emerged), and would guarantee the obligations of the other financial institutions on a temporary basis. It had been indicated to him that such guarantees would involve a cost, which could be discharged by the issuance of warrants over shares, or the payment of a fee.”* These AIB Board minutes have also been put into evidence.

It has been established that this course of action was discussed in the Government’s meeting room that night as is clear from Kevin Cardiff’s note of the events of that night which state *“Min asked FR did they agree with AIB/BOI that 2 needed to be nationalized first, FR (PN) did not agree.”* However, we were not in the attendance when this discussion took place and nothing that happened during any of the four separate occasions that I did attend the Government’s meeting that night changed my belief in what I had thought would happen. Indeed my belief was reinforced that night when during the second meeting I attended the Government requested that we proceed to prepare €5bn liquidity to facilitate the Government in managing Anglo until the following weekend when it would be Nationalised/Liquidated. This request was never withdrawn and when I left government buildings early on the morning of 30 September 2008, we were in the advanced stages of preparing to make this liquidity available with the intention of completing the necessary arrangements the following day.

Clearly the Government ultimately decided on a different course of action and decided to include Anglo and Nationwide in the Guarantee and not to use the €5bn liquidity we had prepared. However, I was not present when this decision was taken and it was not communicated to me before I left Government buildings but as I stated in my response to question 1 above, the Government’s meeting had been in process long before we arrived that night and we only attended it on four discrete occasions and were not present when it concluded. It is clear that discussions took place and decisions were taken during the Government’s meeting that night and early the next morning to which we were not a party to and of which we were not informed.