

**Tithe an Oireachtais**  
**An Comhchoiste um Ghnóthaí Eorpacha**

**An Tríú Tuarascáil Déag**

**An Gá atá le Rialáil Airgeadais AE Láidir**

*(Rapporteur: An Seanadóir Seán Ó Hainífin)*

**Meitheamh 2010**

**Houses of the Oireachtas**  
**Joint Committee on European Affairs**

**Thirteenth Report**

**The Need for Strong EU Financial Regulation**

*(Rapporteur: Senator John Hanafin)*

**June 2010**

Joint Committee on European Affairs  
**The Need for Strong EU Financial Regulation**

**Table of Contents**

Decision of the Joint Committee.....	2
<b>1. Background to Economic/ Fiscal Crisis.....</b>	<b>3</b>
<b>1.1 Runaway Credit.....</b>	<b>3</b>
<b>1.2 Incorrect Pricing of Risk.....</b>	<b>4</b>
<b>1.3 Hedge Funds.....</b>	<b>4</b>
<b>1.4 Investment Banking.....</b>	<b>5</b>
<b>1.5 Global Effects.....</b>	<b>6</b>
<b>1.6 Responses to the Financial Crisis.....</b>	<b>6</b>
<b>1.7 The Crisis in Ireland.....</b>	<b>7</b>
<b>2. Proposals for Financial Regulation.....</b>	<b>8</b>
<b>2.1 Cross Border Supervision and Regulation.....</b>	<b>8</b>
<b>2.2 The Basel Committee.....</b>	<b>9</b>
<b>2.3 Enforcement.....</b>	<b>10</b>
<b>3. Conclusion.....</b>	<b>12</b>

**Appendices**

**A: List of members of the Joint Committee**

**B: Orders of Reference**

Joint Committee on European Affairs  
**The Need for Strong EU Financial Regulation**

**Decision of the Joint Committee**

The Joint Committee on European Affairs at its meeting on 2 March 2010 considered a proposal by Senator John Hanafin to produce a report for the Joint Committee on the EU Regulation Required of Financial Services.

It was proposed that the report would focus on

- Current financial regulation, with emphasis on the difficulties in current regulation and the breakdown of the regulatory system.
- The historic role of financial services relating to the previous breakdowns of the regulatory system and the reform undertaken in 1932.
- The dangers of non-regulation.

It was agreed at that meeting that Senator Hanafin, acting as Rapporteur to the Joint Committee should proceed to produce such a report.

**Decision of the Committee**

The Joint Committee, at its meeting of 23 June 2010, agreed that this report be laid before both Houses of the Oireachtas and thanked Senator Hanafin for the work done in its preparation.

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**Bernard J. Durkan**  
**Chairman**  
**23 June 2010**

**Acknowledgements**

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## **1. Background to Economic/ Fiscal Crisis**

The world financial crisis of 2007 to the present is a crisis triggered by a liquidity crisis in the United States banking system and caused by the overvaluation of assets. It has resulted in the collapse of large financial institutions, the bailout of banks by national governments and downturns in stock markets throughout the world. The knock on effects to consumer confidence has been to restrict spending further adding to the economic difficulties.

The role of financial institutions in creating the extended credit boom, the miss-selling of mortgages and packaged mortgage and other credit lines within the financial system allied with the manipulation of the market and deliberate economic undermining of national bonds has undermined economies, currencies and States. It is time to act at a supranational level to regulate the activities of certain financial trades. In particular hedge funds, contracts for difference and packaged sub prime loans.

The EU has an opportunity to regulate strongly now or we are destined to continue to have mal-practice in this area or a repeat of the financial crisis. There are a wide range of financial instruments that can be used to get around regulation. The types of products involved in the current crisis include: the adjustable rate mortgage; the bundling of subprime mortgages into mortgage backed securities (MBS) or collateralised debt obligations (CDO) for sale to investors, a type of securitisation; and a form of credit insurance called credit default swaps (CDS). The usage of these products expanded dramatically in the years leading up to the crisis. These products vary in complexity and the ease with which they can be valued on the books of financial institutions.

Certain financial innovation had the effect of circumventing regulations, such as off-balance sheet financing that affects the leverage or capital cushion reported by major banks. For example, Martin Wolf wrote in June 2009 *“an enormous part of what banks did in the early part of the decade – the off-balance sheet vehicles , the derivatives and the shadow banking system itself was a way round regulation”*.

### **1.1 Runaway Credit**

The crisis broke with the bursting of the US housing bubble in 2006. For years analysts had warned of just such a collapse. The Economist had three years previously run a magazine cover of a hot air balloon floating into the sky with mortgage debt bubble overwritten on the

balloon. The chief of the American Fed Alan Greenspan had insisted by using the interest rate mechanism the debt burden could be contained. It had certainly worked during the immediate business and financial downturn after 9/11. However that was always going to be a short term downturn. This new theory became the accepted wisdom in the UK; Gordon Brown, then Prime Minister, said *“we have reached the end of boom bust cycles”*. It was the classic mistake of believing an ever increasing credit burden would continuously lift all boats.

## **1.2 Incorrect Pricing of Risk**

The pricing of risk refers to the incremental compensation required by investors for taking on additional risk, which may be measured by interest rates or fees. The market participants did not measure the risk inherent with financial innovations such as MBS or CDOs or understand its impact on the overall stability of the financial system.

AIG, for example, insured obligations of various financial institutions through the usage of credit default swaps. The basic CDS transaction involved AIG receiving a premium in exchange for a promise to pay money to A in the event party B defaulted. However, AIG did not have the financial strength to support its many CDS commitments as the crisis progressed and was taken over by the government in September 2008. U.S. taxpayers provided over \$180 billion in government support to AIG during 2008 and early 2009, through which the money flowed to various counterparties to CDS transactions, including many large global institutions.

## **1.3 Hedge Funds**

The ECB issued a warning in June 2006 on hedge fund risk for financial stability and systemic risk: *“The increasingly similar positioning of individual hedge funds within broad hedge fund investment strategies is another major risk for financial stability, which warrants close monitoring despite the essential lack of any possible remedies. Some believe that broad hedge fund strategies have become increasingly correlated thereby further increasing the potential adverse effects of disorderly exits from crowded trades”*.

Hedge funds had previously received adverse publicity for short selling (dumping stock at a low price to deflate market price then purchase large volumes at a lower price) stock in HBOS and Lloyds at the height of the financial crisis. Even after this event Hedge funds were blamed for dramatic instability in the Euro when hedge funds short sold Greek

sovereign debt. It created such instability that the Greek government issued bonds that would only be sold to insurance companies and pension funds. Hedge funds and banks that might short sell were excluded. In one concerted effort to destabilise the Euro the members of the Chicago Mercantile exchange short sold \$15 billion of debt. The effect of the austerity measures that were now even more compelling could have brought down the Greek government caused a default by Greece and split up the Euro. In time the EU acted and put forward a euro rescue plan.

Not all hedge funds escaped the downturn. In the credit market there was a potential for systemic risk highlighted by the near collapse of two Bear Stearns hedge funds in June 2007. The funds invested in mortgage backed securities. The funds financial problems necessitated an infusion of cash into one of the funds by Bear Sterns.

### **1.4 Investment Banking**

In his inaugural address in 1932 President Roosevelt threatened to ban investment/merchant banks for fuelling the Great Depression and credit crisis in 1929. By 2005 – 2007 Bear Stearns was recognised as the “most admired” securities firm in Fortunes Americas most admired companies. By March 17th 2008 J P Morgan purchased the firm for junk bond prices with the US Federal Reserve taking responsibility for \$29 billion of toxic assets. The reason Bear Sterns and other investment banks collapsed in the shadow banking system was the lack of regulation and the vulnerability of the products they sold to maturity miss-match. The investment vehicles, had borrowed short-term in the liquid markets to purchase long term, illiquid and risky assets.

Paul Krugman, laureate of the Nobel Prize in Economics, described the run on the shadow banking system as the “*core of what happened*” to cause the crisis. He referred to this lack of controls as “*malign neglect*” and argued that regulation should have been imposed on all banking-like activity.

A competitor of Bear Sterns on the actually gained by the collapse in sub prime mortgage bonds by short-selling sub prime mortgage backed securities. It was Goldman structured products that made a profit of \$4 billion by betting on a collapse in the sub-prime market, and shorting mortgage related securities. As other investment banks were going under such as Lehman Brothers, Bear Sterns and Merrill Lynch, Goldman Sachs were tilting the casino table to fall on their numbers.

## ***1.5 Global Effects***

The crisis that took hold in America developed and spread into a global economic shock, resulting in a number of European bank failures, declines in stock value indices and large reductions in the market value of equities and commodities. Both mortgage backed securities and collateralised debt obligations had been purchased by corporate and institutional investors globally. Derivatives such as credit default swaps also increased the linkage between large financial institutions, as assets were sold to pay back obligations that could not be refinanced in frozen credit markets, further accelerated the solvency crisis and caused a decrease in international trade.

World political leaders, national ministers of finance and central bank directors coordinated their efforts to reduce fears but the crisis continued. At the end of October 2008 a currency crisis developed, with investors transferring vast capital resources into stronger currencies such as the yen, the dollar and Swiss franc, leading many emerging economies to seek aid from the international monetary fund.

## ***1.6 Responses to the Financial Crisis***

The US Federal Reserve and central banks around the world have taken steps to expand money supplies to avoid the risk of a deflationary spiral, in which lower wages and higher unemployment leads to a self reinforcing decline in global consumption. In addition, governments have enacted large fiscal stimulus packages, by borrowing and spending to offset the reduction in private sector demand caused by the crisis. The US executed two stimulus packages, totalling nearly \$1 trillion during 2008 and 2009.

The credit freeze brought the global financial system to the brink of collapse. The response of the US Federal Reserve, the European Central Bank, and other central banks was immediate and dramatic. During the last quarter of 2008, these central banks purchased US \$2.5 trillion of government debt and troubled private assets from banks. This was the largest liquidity injection into the credit market, and the largest monetary policy action in recorded world history. The governments of European nations and the USA also raised the capital of their national banking systems by \$1.5 trillion, by purchasing newly issued preferred stock in their major banks.

## **1.7 The Crisis in Ireland**

Klaus Regling and Max Watson in their summary in the preliminary report on the sources of Ireland's Banking Crisis noted:

*"In the run up to Ireland's crisis, global financial markets featured an extended period of high liquidity and low risk premia. Monetary conditions in the Euro area were also easy relative to the levels of growth and inflation in Ireland. Financial integration in the euro area was deepening, and banks in Ireland had unprecedented access to cross-border funding. As in many smaller EU economies, moreover, the entry of foreign banks intensified competition in lending. Against this backdrop, it is not surprising that Ireland experienced a strong and extended domestic financial boom, accompanied by an influx of foreign savings.*

*This boom needs to be seen also in the context of Ireland's strong and extended expansion during the previous decade, when the economy caught up with and surpassed average EU living standards. This fostered expectations of a continued rise in living standards and asset values. Another factor, with even deeper roots, was the strong and pervasive preference in Irish society for property as an asset.*

*In this macroeconomic setting, bank governance and financial supervision faced major challenges. Banks, moreover, were operating in a setting of greatly increased wholesale funding opportunities, following adoption of the euro; and banks from abroad began to compete strongly in retail mortgage lending. Against this backdrop, strong risk-averse reactions by banks in Ireland and their supervisors would have been needed to help dampen a very risky boom-bust cycle. "*

## **2. Proposals for Financial Regulation**

### ***2.1. Cross Border Supervision and Regulation***

Beetsma and Effinger (2009) recommend establishing an independent European Financial Services Authority (EFSA) that should be made responsible for the supervision of the entire financial sector in the EU.

The EFSA would serve as the direct supervisor of internationally and nationally operating financial institutions. However, this organisation would delegate direct supervision to national supervisors as these individuals are familiar with the situation in their own country. The EFSA will therefore serve as an umbrella under which the national supervisors will operate. Setting up EFSA and collaboration at EU level is necessary in terms of financial regulation as financial stability has a distinct international dimension, for example the failure of one institution may have a domino effect of failures through the network of obligations financial institutions have towards each other (Beetsma and Effinger 2009).

Erik Berglof, Chief Economist, European Bank for Reconstruction and Development and Katharina Pistor, Professor of Law, Columbia Law School also support setting up an EU-wide regulator and supervisor in order to protect cross-border banking and financial integration in Europe.

Berglof and Pistor also propose a set of common standards for "effect-based jurisdiction." That is, when the effects of a financial institution's activities are sufficiently large, the country affected should be allowed to assume regulatory power, irrespective of the institution's domicile (Berglof and Pistor, *Business & Finance*, October 2009).

Such regulation would allow host countries to impose restrictions on credit expansion and would strengthen host countries' rights to request information from home-country regulators. Berglof and Pistor believe an EU-wide regulator such as EFSA could then monitor the home country-host country relationship. They believe that an effect-based approach would minimise the negative consequences of more host-country intervention in regulation and supervision.

Goddard, Molyneux and Wilson (2010) further contend that cross-border regulation is a necessity as home country supervision creates difficulties in the case of a bank failure with

systemically damaging implications for a host country. For example, the Icelandic banking collapse illustrates the danger of mismatch between the size of a cross-border bank, and the size of a home country's resources, creating a so-called too-large-to-save dilemma. The UK and Dutch governments provided guarantees for their own citizens' deposits in Icesave, even though they were not responsible for the supervision of Landsbanki.

Furthermore, disputes between countries can delay action in situations where speed is essential, and equal treatment for creditors and debtors in different countries can be hard to achieve. It is widely accepted that the coordination of mechanisms for bank regulation and supervision within the EU should be improved (Goddard, Molyneux and Wilson 2010).

The de Larosiere Report (2009) on the reform of EU and global supervision and regulation also recommends the creation of a new coordinated supervisory structure such as EFSA. According to the report, bank supervision would remain decentralised at national level, but supervisory and regulatory practices would be harmonised. For example, standardised deposit guarantee provisions should be adopted, and consistent principles and tools should be deployed in crisis management.

The report also proposes for each cross-border banking group, a college of national supervisors to be established, with provisions for binding arbitration at EU level. Three functional EU-level authorities would be responsible for coordinating the regulation of banking, insurance and securities, respectively. Finally, a European Systemic Risk Council would oversee the entire system, and monitor systemic risk at the macro level.

## ***2.2. The Basel Committee***

In December 2009 the Basel Committee of central banks and supervisors from 27 countries proposed a global liquidity standard for internationally active banks. The new regime, which could be adopted as early as 2012, has two components: a "coverage" ratio, designed to ensure that banks have a big enough pool of high-quality, liquid assets to weather an "acute stress scenario" lasting for one month (including such inconveniences as a sharp ratings downgrade and a wave of collateral calls); and a "net stable funding" ratio, aimed at promoting longer-term financing of assets and thus limiting maturity mismatches. This will require a certain level of funding to be for a year or more (Matthew Valencia, *The Economist*, February 2010).

In the aftermath of the financial crisis, many financial experts are more aware of liquidity dangers. For example, Koos Timmermans, Chief Risk officer at ING, a large Dutch banking and insurance group, said: *“We were looking at the bonds we held, focusing on the credit fundamentals. We lost sight of the capital hit from illiquidity and marking to market that can seriously hurt you in the meantime. We now know that you have to treat the accounting reality as economic reality”* (The Economist, February 2010).

In addition to concerns over liquidity, regulators are also concerned about prime brokerage, banks’ financing of trading by hedge funds. When the market collapsed, hedge funds were unable to retrieve collateral that their brokers had “rehypothecated”, or used to fund transactions of their own. Regulators are therefore moving towards imposing limits on rehypothecation.

### **2.3. Enforcement**

In addition to robust supervision and regulation of financial institutions at EU level, financial experts have also advised of a credible threat of enforcement action when it comes to financial regulation.

In a recent address by Governor Patrick Honohan to the Financial Services Ireland Annual Dinner on Financial Regulation in Ireland, Honohan spoke of a renewed emphasis on enforcement. He said: *“I am determined that there will be a renewed emphasis on enforcement, even at the risk of the regulator incurring legal costs in unsuccessful actions. The risk of losing a court case taken in good faith, where the Regulator’s legal powers prove insufficient to prevent socially harmful risk-taking behaviour by a financial firm, is one I am prepared to take – always ensuring of course that due process is followed. I am confident that, if existing legal powers do prove inadequate in such cases, legislative amendments will be forthcoming”*.

He continued:

*“The emphasis on enforcement also extends to consumer protection. I reject the notion that an unwarranted focus on consumer information and consumer protection played a part in the failure of prudential regulation. Achievements in the consumer area over the past number of years have been widely praised – and I would include in this the work of the Financial*

*Ombudsman and MABS. There is no question of dismantling consumer protection because of a perception that mis-selling was not at the heart of the current crisis in Irish finance”.*

Similarly, Matthew Elderfield, Head of Financial Regulation, Central Bank also called for a credible threat of enforcement as well as a framework of assertive-based regulation. He believes a risk-based regulatory framework will *“allow us to calibrate the intensity of our regulatory standards and day-to-day supervisory approach depending on the risk profile of the firms and sectors we supervise”.*

He continued: *“A risk-based model means that we will not have a one size fits all approach. We need to be balanced and proportionate depending on the risk of the sector or firm in question. While we do need to improve our level of engagement across the board, a systemically important bank should expect a much more intrusive approach than a fund or wholesale insurance company with a lower risk profile”.*

It can therefore be interpreted that risk-based supervision is more than just identifying a risk and to leave it up to the management of the financial institution to rectify the situation – it also entails the appropriate management of the risk. The Central Bank is therefore setting up a new division to deal with enforcement matters. The new head of enforcement will undertake a review of the Central Bank, its employees, processes and powers later in the year. Having such resources and powers in place will really help assertive-based regulation take off in Ireland.

David Went, former chairman of Irish Life & Permanent and current chairman of the Government-appointed Financial Services Consultative Industry Panel, believes that such an appointment is necessary step in the overhaul of financial regulation in Ireland. He said: *“It is very important that the right decisions are made and that the Regulator is staffed by the brightest and best”* (John Walsh, Business & Finance, September 2009).

### **3. Conclusion**

This paper has outlined the importance of financial regulation in helping Ireland recover from the banking crisis. It has been widely agreed among financial experts that strong financial regulation both domestically and at EU level is a key element in Ireland's recovery from the banking crisis and future protection.

Proposals for financial regulation include implementing cross border financial regulation by establishing an independent regulator at EU level who is responsible for the supervision of the entire financial sector in the EU. Given the failure of one financial institution may have in one country on the failure of another financial institution in another country reveals the domino effect that is in place and emphasises the need for regulation not just at national level but at EU level.

In addition to robust regulation of financial institutions at EU level, a credible threat of enforcement action is also necessary. A more "assertive" style of regulation must be adopted where regulators do more than merely identify a risk, they manage it and if handled incorrectly legal action will be taken.

It is therefore important the most suitable individual adopt positions of enforcement so they can help secure a more financially stable Ireland and Europe for consumers and governments alike.

## APPENDIX A

### JOINT COMMITTEE ON EUROPEAN AFFAIRS LIST OF MEMBERS

#### Deputies:

Pat Breen	(FG)
Thomas Byrne	(FF) <sup>1</sup>
Joe Costello	(Lab
Lucinda Creighton	(FG)
Timmy Dooley	(FF) Vice-Chairman
Bernard Durkan	(FG) Chairman
Beverley Flynn	(FF)**
Seán Power	(FF) <sup>2</sup>
Michael Mulcahy	(FF)
Mary O'Rourke	(FF)
Billy Timmins	(FG)
Noel Treacy	(FF)
Joanna Tuffy	(Lab)**

#### Senators<sup>3</sup>:

Maurice Cummins	(FG)*
Pearse Doherty	(SF)*
Paschal Donohoe	(FG) <sup>4</sup>
John Hanafin	(FF)
Terry Leyden	(FF)
Rónán Mullen	(Ind)*
Phil Prendergast	(Lab)
Feargal Quinn	(Ind)

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1 Deputy Thomas Byrne (FF) replaced Deputy Barry Andrews (FF) (on appointment as Minister of State at the Department of Health and Children), by Order of Dail Eireann on 26 June 2008

2 Deputy Sean Power replaced Deputy Michael McGrath by Order of Dail Eireann 10 July 2009

3 Senator Deirdre deBurca resigned as of 16 February 2010

4 Senator Paschal Donohoe (FG) replaced Senator Maurice Cummins (FG) by way of report laid before Seanad Eireann by the Committee on Selection on 5th December 2007

\*by way of report laid before Seanad Eireann by the Committee on Selection on 7 October 2008

\*\* Members appointed to the Committee by Order of Dail Eireann 2 October 2008

## APPENDIX B

Dáil Éireann on 23 October 2007 ordered:

- “(1) (a) That a Select Committee, which shall be called the Select Committee on European Affairs, consisting of 11 Members of Dáil Éireann (of whom four shall constitute a quorum), be appointed to consider—
- (i) such Bills the statute law in respect of which is dealt with by the Department of Foreign Affairs;
  - (ii) such proposals contained in any motion, including any motion within the meaning of Standing Order 159 concerning the approval by the Dáil of international agreements involving a charge on public funds; and
  - (iii) such other matters
- as shall be referred to it by Dáil Éireann from time to time.
- (b) For the purpose of its consideration of matters under paragraphs (1)(a)(i), (ii) and (iii), the Select Committee shall have the powers defined in Standing Order 83(1), (2) and (3).
- (c) For the avoidance of doubt, by virtue of his or her *ex officio* membership of the Select Committee in accordance with Standing Order 92(1), the Minister for Foreign Affairs (or a Minister or Minister of State nominated in his or her stead) shall be entitled to vote.
- (2) (a) The Select Committee shall be joined with a Select Committee to be appointed by Seanad Éireann to form the Joint Committee on European Affairs to—
- (i) consider such matters arising from Ireland’s membership of the European Communities and its adherence to the Treaty on European Union, as it may select;
  - (ii) consider such—
    - (I) programmes and guidelines prepared by the Commission of the European Communities as a basis for possible legislative action,
    - (II) non legislative documents published by any Union Institution in relation to EU policy matters,
    - (III) acts of the institutions of the European Communities,

- (IV) regulations under the European Communities Acts 1972 to 2007,
- (V) other instruments made under statute and necessitated by the obligations of membership of the European Communities, and
- (VI) any other document relating to European Union matters deposited in both Houses of the Oireachtas by a Member of the Government or Minister of State,

as it may select;

- (iii) consider such other matters as may be referred to it from time to time by both Houses of the Oireachtas; and
- (iv) represent both Houses of the Oireachtas at the Conference of Community and European Affairs Committees of Parliaments of the European Union (COSAC) jointly with the Joint Committee on European Scrutiny;

and shall report thereon to both Houses of the Oireachtas in consultation with the Joint Committee on European Scrutiny.

(b) The Joint Committee shall have:

- (i) the powers defined in Standing Order 83(1) to (9) inclusive;
- (ii) the power to refer a proposal for EU legislation which has been considered by it (and which has been concluded to be of sufficient importance to require additional scrutiny) to a Joint Committee on which has been conferred the power defined in Standing Order 83(4) to consider such proposals;
- (iii) the power to request the attendance of Members of the Government (or Ministers of State nominated in their stead) (or, in the case of the European Council, the Taoiseach or Minister for Foreign Affairs) before the Joint Committee and provide, in private session if so desired by the Member of the Government or Minister of State, oral briefings in advance of Council meetings to enable the Joint Committee to make known its views; and
- (iv) the power to make recommendations to the Minister for Foreign Affairs (or Minister of State) on European Union matters.

(c) The following persons may attend meetings of the Joint Committee and may take part in proceedings without having a right to vote or to move motions

and amendments—

- (i) Members of the European Parliament elected from constituencies in Ireland (including Northern Ireland);
  - (ii) members of the Irish delegation to the Parliamentary Assembly of the Council of Europe; and
  - (iii) at the invitation of the Joint Committee, other Members of the European Parliament.
- (d) The quorum of the Joint Committee shall be five, of whom at least one shall be a Member of Dáil Éireann and one a Member of Seanad Éireann.
- (3) The Chairman of the Joint Committee, who shall be a Member of Dáil Éireann, shall also be Chairman of the Select Committee.”.

**Dáil Éireann on 2 October 2008 ordered:**

That the Orders of Reference of the Select Committee on European Affairs be amended in paragraph (1)(a) by the deletion of ‘11 members’ and the substitution therefor of ‘13 members’.

**Seanad Éireann on 24 October 2007 ordered:**

- “(1) (a) That a Select Committee consisting of 6 members of Seanad Éireann shall be appointed to be joined with a Select Committee of Dáil Éireann to form the Joint Committee on European Affairs to—
- (i) consider such matters arising from Ireland’s membership of the European Communities and its adherence to the Treaty on European Union, as it may select;
  - (ii) consider such—
    - (I) programmes and guidelines prepared by the Commission of the European Communities as a basis for possible legislative action,
    - (II) non legislative documents published by any Union Institution in relation to EU policy matters,
    - (III) acts of the institutions of the European Communities,

- (IV) regulations under the European Communities Acts 1972 to 2007,
- (V) other instruments made under statute and necessitated by the obligations of membership of the European Communities,
- and
- (VI) any other document relating to European Union matters deposited in both Houses of the Oireachtas by a Member of the Government or Minister of State,

as it may select;

- (iii) consider such other matters as may be referred to it from time to time by both Houses of the Oireachtas; and
- (iv) represent both Houses of the Oireachtas at the Conference of Community and European Affairs Committees of Parliaments of the European Union (COSAC) jointly with the Joint Committee on European Scrutiny;

and shall report thereon to both Houses of the Oireachtas in consultation with the Joint Committee on European Scrutiny.

(b) The Joint Committee shall have:

- (i) the powers defined in Standing Order 70(1) to (9) inclusive;
- (ii) the power to refer a proposal for EU legislation which has been considered by it (and which has been concluded to be of sufficient importance to require additional scrutiny) to a Joint Committee on which has been conferred the power defined in Standing Order 70(4) to consider such proposals;
- (iii) the power to request the attendance of Members of the Government (or Ministers of State nominated in their stead) (or, in the case of the European Council, the Taoiseach or Minister for Foreign Affairs) before the Joint Committee and provide, in private session if so desired by the Member of the Government or Minister of State, oral briefings in advance of Council meetings to enable the Joint Committee to make known its views; and

- (iv) the power to make recommendations to the Minister for Foreign Affairs (or Minister of State) on European Union matters.
- (c) The following persons may attend meetings of the Joint Committee and may take part in proceedings without having a right to vote or to move motions and amendments—
  - (i) Members of the European Parliament elected from constituencies in Ireland (including Northern Ireland);
  - (ii) members of the Irish delegation to the Parliamentary Assembly of the Council of Europe; and
  - (iii) at the invitation of the Joint Committee, other Members of the European Parliament.
- (d) The quorum of the Joint Committee shall be five, of whom at least one shall be a Member of Dáil Éireann and one a Member of Seanad Éireann.

(2) The Chairman of the Joint Committee, shall be a Member of Dáil Éireann.”.

**Seanad Éireann on 7 October 2008 *ordered:***

That the Orders of Reference of the Select Committee on European Affairs be amended in paragraph (1)(a) by the deletion of ‘6 members’ and the substitution therefor of ‘9 members’.