**Ceisteanna - Questions - Priority Questions**

**IBRC Liquidation**

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*9:40 am*

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*2.* To ask the Minister for Finance if **junior bondholders** who refused to share in Anglo Irish Bank's losses are likely to receive payments as a result of the liquidation process at Irish Bank Resolution Corporation. **[46338/14]**

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The liquidation process of Irish Bank Resolution Corporation, **IBRC**, the former Anglo Irish Bank, and Irish Nationwide, is ongoing. It has been reported recently by Joe Brennan in Bloomberg that once more **bondholders** may get paid around the same time as water bills will drop through the letterboxes of families across this State. Can the Minister reassure us that it is unlikely that **junior bondholders** in the former Anglo Irish Bank and Irish Nationwide will be paid from the liquidation, that any surplus assets from the liquidation process will come to the Irish State and therefore the Irish people and will he outline his expectation in this regard when the matter comes to a conclusion?

**Does this answer the above question?**  
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The special liquidators continue to implement the orderly and efficient wind down of Irish Bank Resolution Corporation Limited (in Special Liquidation) in accordance with the provisions of the **IBRC** Act and the instructions issued by me under the **IBRC** Act 2013.

In April 2014, the special liquidators announced that the loan sales process had concluded. The sales process of the **IBRC** loan assets, including their segmentation to meet demand from international buyers, delivered a very positive result with over 90% of the loan assets - with a par value of €21.7 billion - sold.

Following instructions from myself as Minister for Finance, [NAMA](https://www.kildarestreet.com/glossary/?gl=17) was no longer obliged to purchase the unsold **IBRC** assets at their independent valuation as previously envisaged, as the expected proceeds to be raised from the sale of the **IBRC** loan assets will be sufficient to fully repay the **IBRC** debt to [NAMA](https://www.kildarestreet.com/glossary/?gl=17). The special liquidators have therefore devised a further sales process in respect of the unsold loan assets so as to maximise the return to all remaining creditors of **IBRC**, including the State. This sales process is currently under way and the special liquidators are unable to quantify at this stage the total sales proceeds that will be achieved from this process.

In tandem with the further sales process, the special liquidators have published advertisements and written to those known creditors in order to finalise their claims in the liquidation. Creditors in the UK and Ireland have until 31 March 2015 to submit their claims and those creditors in the US have until 31 May 2015. Once all claims have been submitted, they will be reviewed in detail and adjudicated on by the special liquidators. In order to finalise this process, further information may be sought from some creditors in order to validate their claims. Should the **junior bondholders** submit a claim and it is found to be valid then they will be legally entitled to a dividend provided there are sufficient funds available for distribution. The special liquidators are unable to comment at this stage on the level of dividends that each creditor will be entitled to until such time as the sales processes are completed and the total level of adjudicated creditors is finalised.

**Does this answer the above question?**  
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We should always remind ourselves that we are talking about €35 billion that was injected into both the former Anglo Irish Bank and Irish Nationwide, which now form **IBRC**, which crippled the State. One of the Minister's first actions on taking office in 2011 was to pay over the promissory note of €3.1 billion that was due on 31 March. Then we had the winding down of the bank but not the winding down of the debt. When the bank was placed into liquidation on that special night here that was called "prom night", it was stated in the Department of Finance briefing - I have that presentation and it was all very rushed - to finance spokespersons in February 2013, under the heading "Transaction Costs &amp; Unsecured Creditor impacts", that: "It is not expected that any assets will be available to repay subordinate liability holders". Despite the fact that I did not agree to what happened that night because the debt still remains and is just stretched out, has the position changed in terms of that sentence? Is it still not expected that any assets will be available to repay the subordinate liability holders? There is a genuine fear as a result of what we have seen from Bloomberg that seven years on from the banking crisis the Deputy will be the Minister for Finance who will oversee the repayment to unsecured **junior bondholders** in the former Anglo Irish Bank who will receive millions of euro despite the fact the State has injected €35 billion into this bank and is also a creditor of it. Will the Minister outline the position the State takes in terms of the €1.1 billion due to it from the assets of the **IBRC**?

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In the course of 2010 and 2011 a number of liability management exercises were conducted by the covered banks for the purpose of generating additional core tier 1 capital and to strengthen the quality of the capital base of the banks. Since this Government came into power the cash required for the recapitalisation of the banks was reduced by €5.8 billion through burden sharing with subordinate **bondholders**. The contribution from burden sharing with **bondholders** of this type amounts to approximately €15 billion since the banking crisis with almost €3.7 billion of that number coming from **IBRC** alone. That said, despite the significant efforts taken over the course of 2010 and 2011, there was a number of subordinate bonds with a nominal value of €280 million that continued to remain outstanding at the time of the liquidation of the **IBRC** in February 2013. These bonds remained outstanding both as a result of a refusal by investors to participate in **IBRC's** liability management exercise in 2010, that is to take a voluntary loss, and also as a result of an unfavourable English High Court ruling against the bank in July 2012.

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Thank you, Minister.

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There is an important sentence here if I could read it. It is important to note that it remains to be seen if there will be proceeds available for the repayment of these creditors as they rank behind both preferred and senior unsecured creditors in priority. Unsecured creditors will get paid if there is money but there is a ranking order and it is not clear yet whether the €280 million worth of **junior bondholders** will pursue their claim as creditors, whether they can validate their position as creditors and, if so, if there will be any money left over when all other unsecured creditor are paid in full.

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The question before the Minister is quite simple. I appreciate that we still do not know what amount will remain when the entire **IBRC** is liquidated. However, that briefing provided to finance spokespersons contained the statement that: "It is not expected that any assets will be available to repay subordinate liability holders". Does the Minister stand over that statement? I take from what he said here today that this may not be the case and it is likely that subordinate **bondholders** in the former Anglo Irish Bank and Irish Nationwide could be paid from the assets of the liquidation. That is very different from what was stated clearly and is down in black and white in this statement, that "It is not expected that any will be available".

With regard to the €1.1 billion the State is owed from **IBRC**, and this is in regard to the repayment of the senior **bondholders** who were covered under the guarantee in respect of the former Anglo Irish Bank and Irish Nationwide, where does that fall in regard to the line of creditors who are now lining up? Is the Minister anticipating any payment or recoupment of that money to the State as a creditor of **IBRC**? The fact that we have lost that €35 billion is one of the great shames but there is still a possibility within the liquidation process that we will recoup a substantial amount of money and where does the State rank in terms of the line of creditors?

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The sentence the Deputy quoted was the expectation at the time.

The expectation at the start of the liquidation process was that we would be fortunate if the liquidation of **IBRC** covered the secured creditors. It transpired that the liquidation had gone better than expected, resulting in a surplus, which surplus will now be used to cover some of the unsecured creditors. As the State represents 70% of the unsecured creditors, this means that there will be money available for it. There are other complications, including many legal cases, and I am sure the Deputy is aware of one of the bigger ones. The liquidator in prudence must set money aside, rather than distribute to unsecured creditors to cover legal liabilities or damages that might occur. The position is unclear. The liquidator is advertising for any person who believes he or she is an unsecured creditor to make a claim which he or she will have to validate. As preferred and senior unsecured creditors have a priority over **junior bondholders**, it is not clear whether there will be any money left. The expectation when the question was previously answered was that there would not be any additional money for unsecured creditors. That was the view at the time.