

Publication of Review of NAMA by Michael Geoghegan

Thursday 8th December 2011. The Board of the National Asset Management Agency [NAMA] has today published the review of the agency undertaken by the former Group Chief Executive of HSBC Holdings Plc, Mr. Michael Geoghegan; the Geoghegan Review¹.

The review was commissioned by the Board of NAMA with the support of the Minister for Finance, Mr. Michael Noonan TD. It was undertaken in late September and October. On the conclusion of the review, Mr. Geoghegan briefed the Board and the Minister for Finance separately on his findings and conclusions.

While it was originally intended that the review would be a confidential exercise, the Board of NAMA with Mr. Geoghegan's agreement have decided in the interests of transparency that the review should be published. Welcoming the decision to publish the document, the Chairman of NAMA, Frank Daly, said that the review was "a substantial and important piece of work which confirms the progress made by NAMA to date and highlights some important challenges ahead. I welcome the opportunity to publish the document which will help inform the debate on the agency."

Key Observations:

Mr. Geoghegan acknowledges that "an enormous amount of work has been done and a lot achieved [by NAMA] in a very short time [since the agency was set up]" and states his view that "NAMA is pretty much at a point where I would have expected it to be at this juncture."

¹ Terms of Reference:

The terms of reference agreed for the Geoghegan Review were specifically limited in scope to:

- A high level review of how NAMA is organised functionally
- An assessment of the skills base at NAMA head of function level and
- A high level evaluation of the delegation arrangements from the Board/Committees to Management.

Mr. Geoghegan expresses the view that, as expected, the agency's focus to date has been on control and accountability. However he strongly states that the Agency must now evolve further to become the "pro-active, externally focussed, entrepreneurial, confident business it needs to be." He acknowledges that NAMA itself "understands the need for this evolution" and states "its ability to make this transition effectively will define its ability to realise the kind of financial return for the Irish taxpayer which must be achieved from the assets it has purchased."

Mr. Geoghegan also noted that the Chief Executive [Brendan McDonagh]..." is respected by all for his ability to absorb a very intense workload..." but must be "liberated to focus on the more strategic or entrepreneurial aspects of the role."

Key Recommendations:

Mr. Geoghegan makes a number of recommendations including the following:

Board:

- The review states that the Board needs to satisfy itself that it has the right balance between oversight and management, the latter being the responsibility of the Executive.
- The Board needs to balance its current "control" features with those of entrepreneurial skills. It states "this is a matter which the Minister should consider in future appointments to the Board."
- The review proposes greater delegation of authorities from the Board to the Executive.
- It also states that the Board should increase the number of Executive Directors to three [currently only the NAMA CEO is an Executive Director].

Executive:

- In relation to the Executive the review proposes empowering the Executive Committee to act within "broad enough decision making limits that allows the Executive to make decisions in a pro-active fashion."

Structures of current departments:

- The review recommends the restructuring of Portfolio Management, Credit and Risk, Lending and Legal Departments.
- The review recommends that the 600 smaller debtors currently managed by the banks themselves [under NAMA authority] be brought back into the agency proper. To facilitate this, the review recommends that NAMA “recruit an additional 200 staff at a maximum cost of €25m.” The review warns that the management of these cases represents a “major risk” to the recovery rate for NAMA as the PI’s refocus their efforts towards their core business and will regard this [NAMA] business as potentially non-core. The review states “Failure to bring these assets onto NAMA’s book in the next six months may increase the risk of NAMA failing to meet its bond repayment schedule.” *[PIs are the 5 participating institutions/ banks whose loans were acquired by NAMA]*
- The review also recommends the appointment of a number of senior executives including a Chief Financial Officer, a Head of Strategic Planning and a Head of Audit. Some of these functions are currently managed through the NTMA or, in the case of audit, are outsourced.

Comment from NAMA Chairman:

The Chairman of NAMA, Frank Daly, has welcomed the Geoghegan Review and the appointment of Mr. Geoghegan to Chair a new Advisory Committee on NAMA announced by the Minister for Finance; “Mr. Geoghegan’s review confirms the enormous amount of work done by the agency to date and the progress we’ve made. At the same time it highlights some issues that we need to take account of as our work progresses. The Board has already begun considering these proposals in detail including a schedule for the implementation of some of the key recommendations where agreed². I’m delighted that Mr. Geoghegan has agreed to Chair the Minister’s Advisory Committee on NAMA and I look forward to NAMA’s engagement with this Group in the months ahead.”

Mr. Daly also said that the Board was particularly grateful to Mr. Geoghegan for the fact that he undertook the review exercise on a “pro-bono” basis; “Mr. Geoghegan was exceptionally generous with his time and I think that reflects a deep and genuine commitment to Ireland and the Irish economy at this challenging time. We are very grateful for that generosity and support.”

² Mr. Geoghegan specifically notes in his review that before being adopted for implementation each recommendation in this report should be independently assessed by the Board and only implemented if they are satisfied, following more complete analysis, that what is suggested is in their judgement the best course of action.

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