Banc Ceannais na hÉireann
Central Bank of Ireland
Eurosystem

Funding Strategy and Guide to the 2018 Industry Funding Regulations

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Summary

This publication is intended to provide a user-friendly guide as to how the Industry Funding levy for 2018 is calculated. In addition, it provides important information on the 2019 levy year which will be of interest to all regulated entities. The guide is divided into six sections as follows:

Section 1 Funding Strategy

Section 1 provides an overview of the Central Bank's Funding strategy and important changes to the 2019 levy cycle.

Section 2 Background to the 2018 Industry Funding Regulations

Section 2 sets out the background to the levy and summarises the 2018 Industry Funding Regulations.

Section 3 Significant Changes in 2018

Section 3 sets out significant changes to the levy in 2018.

Section 4 Calculation of the Industry Funding Levy

Section 4 explains how the levy is calculated for each ***industry funding category***.

Section 5 Financial Information for Industry Sectors

1. Sets out the calculation of the levy rates for individual ***financial service providers***
2. Provides an analysis of the cost of Financial Regulation in 2018
3. Explains how the ***net Annual Funding Requirement*** (***nAFR***) is determined.

Section 6 Appendices

Appendix 1 Comparison of 2018 and 2017 ***net Annual Funding Requirements***

Appendix 2 Population of each Industry Sector

Appendix 3 Glossary: explanation of words and phrases identified in bold italics in Guide.

If you have queries regarding the 2018 Industry Funding Levy please refer to the **FREQUENTLY ASKED QUESTIONS** section in the Industry Funding Levy area of our website www.centralbank.ie or e-mail the funding team at funding@centralbank.ie.

Section 1 – Funding Strategy

The decade since the financial crisis in 2008 has been characterised by widespread international policy reform and a considerable expansion in central banking and financial regulatory mandates. These reforms have sought to redress systemic flaws revealed by the crisis.

In Ireland, the ***Central Bank*** has, amongst a whole range of measures, overseen a restructuring of the financial system, focused heavily on excessive indebtedness, adopted a more intrusive supervisory philosophy and introduced macro-prudential policy measures to contain systemic risk.

Looking further afield, European-wide post crisis measures have included the adoption of unconventional monetary policies and an increase in the collection of financial data. In banking, the supervision of major banks has, since 2014, been led by the European Central Bank in partnership with national competent authorities. Over the last five years, a primary objective has been to establish the ***Central Bank*** as the effective steward of the Irish financial system, working in the public interest and in partnership with other branches of the Irish State and colleagues in the Eurosystem and the European System of Financial Supervision.

Against this backdrop, the ***Central Bank*** has undergone considerable transformation, enabled by increased staffing, changed work practices and strengthened organisational capability. Over the course of the 2016-2018 Strategic Plan, the workforce of the ***Central Bank*** expanded from 1500 to 1900, we moved to our new Dockland Campus and have invested heavily in IT capabilities and in improving skill levels among our staff. This investment has resulted in a new and more robust regulatory framework which will apply to new entrants and established firms alike.

While the gradual improvement in the financial environment continues, Ireland remains exposed to domestic and external risk. In this regard, the **Central Bank**'s Strategic Plan 2019-2021 anticipates further limited growth to address Brexit and the expansion of financial conduct regulation, however, it also sets the scene for greater emphasis on stabilisation of budget and staffing levels with a heavy emphasis on redeployment and reprioritisation to address new tasks and emerging priorities. The ***Central Bank*** is committed to stabilisation to ensure its long term financial independence and to limit the rate of increases in levies on regulated firms. In relation to levies, the ***Central Bank***'s funding strategy for financial regulation seeks to:

1. Increase the proportion of financial regulation costs chargeable to industry, thereby reducing taxpayer subvention, with the ultimate aim of recovering the full cost of financial regulation activity from regulated firms; This is consistent with the feedback statement on CP95 'Funding the Cost of Financial Regulation', in which the ***Central Bank*** and the Department of Finance jointly set out a strategic intention to move towards full industry funding on a phased basis;

2. Adopt, where appropriate, principles which support a predictable, transparent and proportionate pricing approach; and

3. Reduce complexity and risk associated with the current funding approach

In pursuit of this strategy, the ***Central Bank*** has developed a 3 year plan for 2018 – 2020. The table below sets out the key changes planned in the next 3 years and clarifies the specific changes reflected in the 2018 levy cycle.

3 Year vision for Industry Funding Levy		
	2018 -2020 Funding Strategy	**Implications for 2018**
1.	Increase the overall recovery rate and address funding gaps in specific areas of the ***Central Bank***'s regulatory activities with a view to achieving full industry funding in the medium term.	• The recovery rate applicable to credit institutions, insurance, investment firms and fund service providers will increase (from 65 per cent) to 80 per cent; • The recovery rate for retail intermediaries and debt management companies will be aligned with other categories at 65 per cent (50 per cent rate was retained in 2017 on a transitional basis). • Levies payable by credit unions in 2018 will continue to be capped at 0.01 per cent of total assets in 2018 – an effective recovery rate of c 9 per cent.
2.	Move to levying on an incurred cost basis, rather than based on budgeted costs – to address an aspect of volatility in response to Industry feedback by eliminating large balancing surpluses and deficits in favour of levies based on the ***Central Bank***'s audited financial statements.	• Subject to detailed planning, the current intention is to levy 2019 actual costs on an arrears basis in Q3 2020.
3.	Further refine levy methodologies, where appropriate, in order to eliminate pricing "cliff" effects associated with the PRISM-derived methodology.	• Methodology for moneylenders will change to reflect this principle. This follows similar progress in relation to retail intermediaries and debt management companies (2016) and credit institutions (2017); • Further changes are planned in future years.
4.	Simplify, de-risk and automate aspects of current work through process re-engineering, in order to further improve efficiency and effectiveness.	

Implications for future years

Recovery rates are likely to increase further in future levy cycles. As indicated above, we intend to levy 2019 actual costs on an arrears basis in Q3 2020. Regulated entities should be aware that the Central Bank is minded to increase the 65 per cent recovery rate to 75 per cent and move the 80 per cent recovery rate to 90 per cent in the next levy cycle with similar changes the following year.

Credit Unions

In the Feedback Statement to CP61 (published in 2013) the Central Bank signalled its intention to move to 50 per cent funding for the credit union sector over a 5 year period. For budgeting purposes, credit unions should be aware that the target recovery rate for this sector will increase in future years.

The Central Bank is minded to seek approval from the Minister for Finance to increase the recovery rate to 20 per cent for the 2019 levy cycle (to be levied in 2020), 35 per cent for 2020 costs (to be levied in 2021) and 50 per cent for 2021 costs (to be levied in 2022). The Central Bank will review recovery rates beyond 2022 taking account of levy rates applicable to other categories.

Section 2 – Background to the 2018 Industry Funding Regulations

2.1 The Regulations referred to in this Guide are the Central Bank Act 1942 (Section 32D) Regulations 2018. The objective of the Regulations is to raise the agreed proportion (see Table 21 in Section 5) of the budget attributable to the Central Bank's financial regulation activities directly from the financial service providers it regulates. Accordingly, the Regulations apply to all persons who are subject to regulation by the Central Bank.

2.2 The Government gave the power to raise such a levy to the ***Central Bank*** Commission under the Central Bank Reform Act, 2010. In accordance with the legislation the Commission has obtained the approval of the Minister for Finance of its 2018 levy proposals.

2.3 The Regulations were signed into law by the Deputy Governor Prudential Regulation on 26 October 2018 and became effective on that day. As of that date, all ***financial service providers*** are liable to pay an annual levy. The levy must be paid no later than 28 days from the date on the levy invoice.

2.4 A ***financial service provider*** may hold more than one authorisation from the ***Central Bank*** and may, therefore, fall into more than one ***industry funding category***. In such cases, the ***financial service provider*** will be liable for a levy for each category in respect of which it holds an authorisation – each levy will be invoiced separately. For example, a credit union (Category F) which also holds a multi-agency intermediary authorisation (Category C) will be obliged to pay the levy for both categories.

Collection of the Levy

2.5 The ***Central Bank*** sends almost all ***financial service providers*** a levy invoice after the Regulations are made. However, even if a ***regulated entity*** does not receive a levy invoice, it is still legally obliged to pay the appropriate levy for its ***industry funding category*** in the Regulations. Any such ***financial service provider*** should request a copy levy invoice by e-mail from funding@centralbank.ie.

2.6 Levies may be paid either by direct debit or electronic funds transfer (EFT). To ensure that payments are dealt with efficiently, all payments made by EFT must include details of the levy invoice number and/or the account number. Failure to include the required details may result in the EFT payment being returned at the ***financial service provider's*** expense. Full details for payment by EFT will be supplied on invoices.

2.7 If a ***financial service provider*** fails to pay the levy by the required date, the ***Central Bank*** may take steps to recover the amount of the levy. Recovery action may include court proceedings.

Supplementary Levies

2.8 Certain regulated entities will be required to pay an additional (or supplementary) levy to the ***Central Bank*** to fund the cost of a particular initiative or regulatory action. The purpose of supplementary levies is to re-charge costs attributable to specific firms where costs can be directly attributable to them in order to avoid imposing them on all firms in the ***Industry Funding Category***. Details of 2018 supplementary levies are tabulated below:

2018 Supplementary Levies			
Category	**Applicable to**	**Note**	**Costs to be funded by this levy**
A1a	ELG Scheme institutions (see Section 4.1 below)	1	Cost of carrying out investigations relating to inquires that may be held by the ***Central Bank*** under Part III of the Central Bank Act, 1942.
A, M1	Relevant credit institutions and retail credit firms	1	Costs related to the ***Central Bank's*** examination of tracker mortgage related issues
A	Credit institutions seeking significant changes to their business model and/or activities	2	External costs associated with the consideration of such proposals
D	Investment Firms subject to ***Client Asset Requirements***	2	Costs attributable to the performance of the ***Central Bank's*** functions in relation to ***Client Asset Requirements***
D	Investment firms within the meaning of Regulation 3 of the European Union (Bank Recovery and Resolution) Regulations 2015	1	Costs attributable to the performance of the ***Central Bank***'s functions in relation to the performance of its functions as resolution authority under the European Union (Bank Recovery and Resolution) Regulations 2015

Note 1: Similar supplementary levies applied in 2017

Note 2: These supplementary levies are new in 2018

2.9 Such supplementary levy will be set out in a levy notice sent to the ***financial service providers*** concerned.

2.10 Supplementary levies apply on a full year basis even where the relevant entity is authorised by the ***Central Bank*** only for part of a year.

Pro-Rata Levies

2.11 Each ***financial service provider*** will be liable to a levy for the portion of the year in respect of which it holds an authorisation from the ***Central Bank***. It follows that ***financial service providers*** authorised in 2018 will be liable to a levy covering the period from date of authorisation to 31 December 2018. Similarly, ***financial service providers*** whose authorisation is revoked during the course of 2018 will be liable to a levy covering the period 1 January 2018 to the date on which the relevant authorisation is revoked.

Appeals and Waivers

2.12 Previous provisions in relation to appeals and waivers have been amalgamated in Regulation 12 to provide greater clarity on the parameters of an appeal.

2.13 Appeals must be submitted within 21 days of the due date of the levy contribution /supplemental levy contribution. This deadline will be strictly enforced.

2.14 Any such appeal must

- set out in writing the grounds for the appeal and include all supporting documentation or representations; and
- be accompanied by a payment or a receipt evidencing payment of that portion of the levy contribution / supplementary levy contribution that is not under appeal.

2.15 Where, in the reasonable opinion of the ***Central Bank***, the obligation of a regulated entity to pay a levy contribution / supplementary levy would be likely to make that entity insolvent, or where the regulated entity / former regulated entity is a sole trader, bankrupt, the ***Central Bank*** may waive the obligation of that entity under these regulations to pay the levy contribution / supplementary levy contribution.

2.16 The ***Central Bank*** may, at its discretion, waive or reduce part / all of a levy contribution / supplementary levy contribution in exceptional circumstances.

2.17 The ***Central Bank*** shall advise the regulated entity in writing of its decision in respect of the appeal, providing reasons and details of any amount outstanding and the due date applicable for the payment of any outstanding levy liability.

Records

2.18 A ***financial service provider*** must keep all records on which the levy has been calculated for so long as the Regulations stipulate. Regulation 13 stipulates that this requirement is applicable for a period of six years.

Section 3 – Significant Changes in 2018

3.1 In response to a joint public consultation with the Department of Finance on 'Funding the Cost of Financial Regulation' (CP95), former Minister for Finance, Michael Noonan, agreed to a phased movement towards 100 per cent Industry Funding. This commenced in 2017 with an initial movement to 65 per cent for most Industry Funding categories. The target recovery rate for Retail Intermediaries and Debt Management Companies was, however, retained at 50 per cent for the 2017 levy year. The recovery rate for these categories will move to 65 per cent in 2018.

3.2 In pursuit of the ***Central Bank***'s funding strategy as outlined in Section 1 above, certain categories will see an increase in the target recovery rate from 65 to 80 per cent in 2018. Categories affected are credit institutions that were not members of the Eligible Liabilities Guarantee Scheme 2008[1], together with insurance undertakings, investment firms and fund service providers.

Insurance Undertakings Operating in Ireland on a Freedom of Establishment Basis

3.3 In 2017, arising from a consultation process (CP108 – New Methodology to Calculate Funding Levies), the ***Central Bank*** differentiated EEA insurers into three categories for levying purposes based on size and nature of business written. As a result, larger firms and those having written motor insurance business now pay more than they did in the past. In line with the phasing in over 2 years of the increased levy rates for Category B2 EEA branches as outlined in the Feedback statement, such branches will, in 2018, be required to fund the equivalent of 50 per cent of the levy applicable to a Medium High impact insurance undertaking as compared with 25 per cent in 2017.

3.4 The ***Central Bank*** will shortly publish a public consultation in relation to a proposed new levy methodology designed to eliminate the "threshold" effect and increase the transparency of levies payable, while maintaining the principle that larger firms should pay higher levies than smaller ones.

[1] Such credit institutions currently fund the full costs of financial regulation

Moneylenders

3.5 In early 2018, the ***Central Bank*** published CP117 'New Methodology to Calculate Funding Levies payable by Moneylenders'. In that paper, the ***Central Bank*** proposed a new levy methodology, whereby moneylenders would be charged a levy comprised of a flat element plus a variable element, set as a percentage of reported turnover from regulated activity that exceeds a threshold. The flat and variable elements will be determined annually. Taking into account the various submissions, the Central Bank has proceeded to introduce these changes for the 2018 levy year.

Section 4 – Calculation of the Levy

4.1 Category A: Credit Institutions

A1a – Significant supervised entities within the meaning of the SSM Framework Regulation (Regulation (EU) No. 468/2014 of the European Central Bank (ECB/2014/17)) – that were admitted to the Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009 (the 'ELG Scheme institutions')

Each credit institution in this sub-category shall be liable to pay an Industry Funding Levy consisting of the sum of a minimum amount and a variable amount.

Minimum amount: €393,194

Variable amount: The variable amount (V) is calculated as follows:

V = ((S+G) * 50%) * C

Where

S =	the credit institution's percentage share of the sum of total assets for category **A1** (based on the credit institution's report in FINREP template F01.01 row 380 for the period 31 December 2017[2]);
G =	the credit institution's percentage share of the sum of total risk exposure for category **A1** (based on the credit institution's report in COREP template C02.00 row 010 for the period 31 December 2017);
C =	the proportion of total variable amount for category **A1** relevant to this sub-category **A1a**.

The values of S, G and C relevant to their levy calculations will be communicated directly by the ***Central Bank*** to each credit institution.

Credit institutions in sub-category A1a will continue to be liable to pay separate supplementary levies to the ***Central Bank*** for the purposes of providing sufficient funds:

(i) for the conduct of investigations relating to inquiries that may be held by the ***Central Bank*** under Part IIIC of the Central Bank 1942, and
(ii) to enable it to conduct its broad examination of tracker mortgage related issues, as commenced in 2015 and notified to each relevant lender.

These supplementary levies will be set out in separate levy invoices sent to relevant credit institutions.

[2] For credit institutions whose year-end is October, data for the period 31 October 2017 will be used.

A1b – Irish authorised Credit Institutions that are outside the scope of sub-category A1a and that are

- **Significant supervised entities within the meaning of the SSM Framework Regulation (Regulation (EU) No. 468/2014 of the European Central Bank (ECB/2014/17)),**
- **Subsidiaries of significant supervised entities within the meaning of the SSM Framework Regulation where that subsidiary provides retail banking services to individuals and businesses in the State through its branch network,**
- **Less significant supervised entities within the meaning of the SSM Framework Regulation that have been deemed 'high priority' by the European Central Bank.**

Each credit institution in this sub-category shall be liable to pay a levy contribution consisting of the sum of a minimum amount and a variable amount.

Minimum amount: €314,555

Variable amount: The variable amount (V) is calculated as follows:

V = ((S+G) * 50%) * C

Where

S =	the credit institution's percentage share of the sum of total assets for category **A1** (based on the credit institution's report in FINREP template F01.01 row 380 for the period 31 December 2017[3]);
G =	the credit institution's percentage share of the sum of total risk exposure for category **A1** (based on the credit institution's report in COREP template C02.00 row 010 for the period 31 December 2017);
C =	the proportion of total variable amount for category **A1** relevant to this sub-category **A1b**.

The values of S, G and C relevant to their levy calculations will be communicated directly by the ***Central Bank*** to each credit institution.

Since 2017, credit institutions in sub-category A1b have been liable to pay a supplementary levy to the ***Central Bank*** for the purposes of providing the ***Central Bank*** with sufficient funds to enable it to conduct its broad examination of tracker mortgage related issues, as commenced in 2015 and notified to each relevant lender.

In 2018, credit institutions in sub-category A1b will also be liable to pay a supplementary levy to the ***Central Bank*** for the purposes of providing the ***Central Bank*** with sufficient funds to enable it to consider significant changes to the activities of that institution.

These supplementary levies will be set out in levy invoices sent to each relevant credit institution.

[3] For credit institutions whose year-end is October, data for the period 31 October 2017 will be used.

A2a – Non-retail subsidiaries of Significant Institutions, non high-priority Less Significant Institutions, relevant Credit Institutions authorised pursuant to Section 9A of the Central Bank Act 1971

Each credit institution in this sub-category shall be liable to pay a levy contribution consisting of the sum of a minimum amount and a variable amount.

Minimum amount: €20,117

Variable amount: The variable amount (V) is calculated as follows:

V = ((S+G) * 50%) * C

Where

S =	the credit institution's percentage share of the sum of total assets for category **A2** (based on the credit institution's report in FINREP template F01.01 row 380 for the period 31 December 2017[4]);
G =	the credit institution's percentage share of the sum of total risk exposure for category **A2** (based on the credit institution's report in COREP template C02.00 row 010 for the period 31 December 2017);
C =	the total variable amount to be recovered from sub-category **A2a**.

The values of S, G and C relevant to their levy calculations will be communicated directly by the ***Central Bank*** to each credit institution.

Since 2017, credit institutions in sub-category A2a have been liable to pay a supplementary levy to the ***Central Bank*** for the purposes of providing the ***Central Bank*** with sufficient funds to enable it to conduct its broad examination of tracker mortgage related issues, as commenced in 2015 and notified to each relevant lender.

In 2018, credit institutions in sub-category A2a will also be liable to pay a supplementary levy to the ***Central Bank*** for the purposes of providing the ***Central Bank*** with sufficient funds to enable it to consider significant changes to the activities of that institution.

This supplementary levy will be set out in a levy invoice sent to each relevant credit institution.

[4] For credit institutions whose year-end is October, data for the period 31 October 2017 will be used.

A2b – Credit Institutions authorised in another EEA state operating in Ireland on a branch basis

Credit institutions authorised in another EEA state operating in Ireland on a branch basis are obliged to pay a flat rate levy of €20,117.

A3 – Credit Institutions authorised in another EEA state operating in Ireland on a cross border basis

Credit institutions authorised in another EEA state operating in Ireland on a cross border basis are obliged to pay a flat rate levy of €20,117. No levy invoices will be issued.

Since 2017, credit institutions in sub-category A3 have been liable to pay a supplementary levy to the ***Central Bank*** for the purposes of providing the ***Central Bank*** with sufficient funds to enable it to conduct its broad examination of tracker mortgage related issues, as commenced in 2015 and notified to each relevant lender.

4.2 Category B: Insurance Undertakings

B1 – Life undertakings with Irish head office and life undertakings authorised in another non-EEA state operating in Ireland

B4 – Non life undertakings with Irish head office

B7 – Reinsurance undertakings with Irish head office

Such institutions shall be liable to pay the levy contribution corresponding to its **impact category** as set out in Table 1 below.

Table 1					
Impact Category	*Ultra High*	*High*	*Medium High*	*Medium Low*	*Low*
Levy	€3,329,855	€1,510,922	€345,472	€68,678	€20,192

B2 – Life undertakings authorised in another EEA state operating in Ireland on a branch basis

All entities with the relevant gross premium income written on Irish risk business shall pay a flat rate levy as set out in Table 2 below.

Table 2		
Gross Premium written on Irish risk business	*> €100 million*	*€0 - €100 million*
Levy	€172,736	€15,144

B3 – Life undertakings authorised in another EEA state operating in Ireland on a cross border basis

As insurance undertakings operating in Ireland on a cross border basis may write Irish risk business they will be subject to a levy designed to contribute towards the cost of consumer protection regulation. The amount of such levy is set out in Table 3 below.

Table 3					
Impact Category	*Ultra High*	*High*	*Medium High*	*Medium Low*	*Low*
Levy	N/A	N/A	N/A	N/A	€15,144

B5a – Non life insurance undertakings authorised in another EEA state operating in Ireland on a branch basis that write motor insurance in Ireland

All entities with the relevant gross premium income written on Irish risk business shall pay a flat rate levy as set out in Table 4 below.

Table 4		
Gross Premium written on Irish risk business	*> €50 million*	*€0 - €50 million*
Levy	€172,736	€34,339

B5b – Non life insurance undertakings authorised in another EEA state operating in Ireland on a branch basis that is not included in B5a

All entities in this sub-category shall pay a flat rate levy of €15,144.

B6 – Non life undertakings authorised in another EEA state operating in Ireland on a cross border basis

As insurance undertakings operating in Ireland on a cross border basis may write Irish risk business, they will be subject to a levy designed to contribute towards the cost of consumer protection regulation. The amount of such levy is set out in Table 5 below.

Table 5					
Impact Category	*Ultra High*	*High*	*Medium High*	*Medium Low*	*Low*
Levy	N/A	N/A	N/A	N/A	€15,144

4.3 Category C: Intermediaries and Debt Management Companies

Levies payable by intermediaries and debt management companies are determined by the firms' total income from fees and income from commission as submitted through the Online Reporting System. The levy for intermediaries and debt management companies will be calculated according to the following formula:

Minimum Levy: €1,020 plus
Variable Levy calculated as follows:

$$(A - B) \times C$$

Where:

A = total of firm's 'Income from Fees' and 'Income from Commissions' as reported in the firm's ***On-Line Regulatory Return*** for the 2017 financial year. If a 2017 return has not been submitted, the most recent previous report will be used;

B = threshold level of total 'Income from Fees' and 'Income from Commissions' of €200,000;

C = variable levy rate of 0.32%.

For the avoidance of doubt, it should be noted that income from fees and income from commissions should be shown before deduction of any commission payable to a third party.

Intermediaries and debt management companies newly authorised in 2017 and not yet due to submit an ***On-Line Regulatory Return*** shall be liable to pay the minimum Industry Funding Levy applicable to this category of €1,020.

Intermediaries and debt management companies that have failed to submit their ***On-Line Regulatory Return*** in accordance with regulatory requirements shall be liable to a default levy amounting to €3,600. This default levy will be cancelled, however, and replaced with a levy calculated in accordance with the entity's reported income from fees and income from commissions following submission of its ***On-Line Regulatory Return***.

4.4 Category D: Securities and Investment Firms

D1 – Designated Fund Managers

D2 – Receipt and Transmission of Orders and/or Provision of Investment Advice

D3 – Portfolio Management; Execution of Orders

D4 – Own Account Trading; Underwriting on a Firm Commitment Basis

D6 – Firms authorised under the Investment Intermediaries Act, 1995 that are not captured in any other levy category

A ***regulated entity*** falling within any of the above sub-categories of Securities and Investment Firms authorised by the ***Central Bank*** shall be liable to pay the levy contribution corresponding to its ***impact category*** as set out in Table 6 below.

Table 6					
Impact Category	*Ultra High*	*High*	*Medium High*	*Medium Low*	*Low*
Levy	N/A	N/A	€480,317	€95,485	€9,999

D5 – Stock Exchange Member Firms

A Member Firm of the Irish Stock Exchange that has been authorised by the ***Central Bank*** shall be liable to pay the levy contribution corresponding to its ***impact category*** as set out in Table 7 below.

Table 7					
Impact Category	*Ultra High*	*High*	*Medium High*	*Medium Low*	*Low*
Levy	N/A	N/A	€480,317	€95,485	€9,999

D9 – High Volume Algorithmic Trading Firms

A ***High Volume Algorithmic Trading Firm*** that has been authorised by the ***Central Bank*** shall be liable to pay the levy contribution corresponding to its ***impact category*** as set out in Table 8 below.

Table 8					
Impact Category	*Ultra High*	*High*	*Medium High*	*Medium Low*	*Low*
Levy	N/A	N/A	€480,317	€95,485	€9,999

D10 - Market Infrastructure Firms

A ***Market Infrastructure firm*** that has been authorised by the ***Central Bank*** shall be liable to pay the levy contribution corresponding to its ***impact category*** as set out in Table 9 below.

Table 9					
Impact Category	*Ultra High*	*High*	*Medium High*	*Medium Low*	*Low*
Levy	N/A	N/A	€480,317	€95,485	€9,999

D1 to D10 As above

Firms in D1 to D10 above that are subject to the ***Client Asset Requirements*** shall pay a supplementary levy to the ***Central Bank*** corresponding to its impact category as set out in Table 10 below.

Table 10					
Impact Category	Ultra High	High	Medium High	Medium Low	Low
Levy	N/A	N/A	€93,262	€18,540	€2,599

Investment Firms within the meaning of Regulation 3 of the European Union (Bank Recovery and Resolution) Regulations, 2015 shall pay a supplementary administration levy to the ***Central Bank*** corresponding to its impact category as set out in Table 11 below.

Table 11					
Impact Category	*Ultra High*	*High*	*Medium High*	*Medium Low*	*Low*
Levy	N/A	N/A	€74,585	€14,827	N/A

D11 – Investment firms authorised in another EEA state operating in Ireland on a branch basis.

All entities in this sub-category shall pay a flat rate levy of €9,999.

4.5 Category E1: Investment Funds, Alternative Investment Fund Managers and other Investment Fund Service Providers

E1a - **Authorised UCITS; Authorised Unit Trusts; Authorised Investment Companies (Designated and Non Designated); Authorised Investment Limited Partnerships; Authorised Common Contractual Funds; Authorised Irish Collective Asset-management Vehicles**

E1b - **UCITS Self-Managed Investment Companies (SMICs); Authorised Designated Investment Companies (Internally Managed Alternative Investment Funds); Authorised Irish Collective Asset-management Vehicles (Internally Managed Alternative Investment Funds); Authorised Irish Collective Asset-management Vehicles (UCITS SMICS)**

All funds authorised by the ***Central Bank*** shall be liable to pay a minimum levy of €3,390. Umbrella funds will also pay a contribution per sub-fund of €250 up to ten sub-funds and a further levy of €155 on sub-funds numbers greater than ten, to a maximum of twenty sub-funds, resulting in a maximum contribution for umbrella funds of €7,440.

	Table 12		
	No. of Sub Funds	*Levy per sub-fund*	*Total Levy*
Up to 10 Sub-funds	2	€250	€3,890
	3	€250	€4,140
	4	€250	€4,390
	5	€250	€4,640
	6	€250	€4,890
	7	€250	€5,140
	8	€250	€5,390
	9	€250	€5,640
	10	€250	€5,890
11 – 20 Sub-funds	11	€155	€6,045
	12	€155	€6,200
	13	€155	€6,355
	14	€155	€6,510
	15	€155	€6,665
	16	€155	€6,820
	17	€155	€6,975
	18	€155	€7,130
	19	€155	€7,285
	20	€155	€7,440

4.6 Category E2: Fund Service Providers

E2a - **AIF Management Companies**

E2b - Administrators; UCITS Managers (Non Delegating); Depositories; Alternative Investment Fund Managers

E2c - UCITS Managers (Delegating)

An ***Investment fund service provider*** falling within any of the above sub-categories and which has been authorised by the ***Central Bank*** shall be liable to pay the levy contribution corresponding to its ***impact category*** as set out in Table 13 below.

Table 13

Impact Category	*Ultra High*	*High*	*Medium High*	*Medium Low*	*Low*
Levy	**N/A**	**N/A**	**€480,317**	**€95,485**	**€9,999**

E2d – UCITS managers and alternative investment fund managers authorised in another EEA state operating in Ireland as such on a brand new basis.

All entities in these sub-category shall pay a flat rate levy of €9,999.

4.7 Category F: Credit Unions

A Credit Union is liable to pay a levy of 0.01 per cent of total assets as reported in its annual return setting out its balance sheet as at 30 September 2017.

4.8 Category G: Moneylenders

Levies payable by moneylenders are determined by the firms' turnover reported to the ***Central Bank*** in section 6.2 of the most recently received Renewal Application for the entity. The amount of the levy will be calculated according to the following formula:

Minimum Levy: €1,561 plus
Variable Levy calculated as follows:

$$(A - B) \times C$$

Where:

A = firms' turnover reported to the ***Central Bank*** in section 6.2 of the most recently received Renewal Application for the entity

B = threshold level of total 'Turnover' of €60,000;

C = variable levy rate of 0.957%.

4.9 Category H: Approved Professional Bodies

Each approved professional body shall be liable to pay the levy contribution corresponding to its impact

category as set out in Table 14 below.

Table 14					
Impact Category	*Ultra High*	*High*	*Medium High*	*Medium Low*	*Low*
Levy	N/A	N/A	N/A	N/A	€11,176

4.10 Category J1: Bureaux de Change

Each bureau de change that has been authorised by the ***Central Bank*** shall be liable to pay the levy contribution corresponding to its ***impact category*** as set out in Table 15 below.

Table 15					
Impact Category	*Ultra High*	*High*	*Medium High*	*Medium Low*	*Low*
Levy	N/A	N/A	N/A	N/A	€1,009

4.11 Category L: Default Assessment

Each ***regulated entity*** defined as a defaulting entity pursuant to Regulation 16(4) of the 2018 Regulations is liable to pay a flat rate levy of €3,600.

4.12 Category M: Retail Credit Firms, Home Reversion Firms and Credit Servicing Firms

M1 – Retail Credit Firms

M3 – Credit Servicing Firms

Each retail credit firm and credit servicing firm that has been authorised by the ***Central Bank*** shall be liable to pay the levy contribution corresponding to its ***impact category*** as set out in Table 16 below.

Table 16					
Impact Category	*Ultra High*	*High*	*Medium High*	*Medium Low*	*Low*
Levy	N/A	N/A	N/A	N/A	€42,603

In addition, retail credit firms subject to the Tracker Mortgage Examination shall pay a supplementary levy to the ***Central Bank*** and this supplementary levy will be set out in a levy invoice sent to the relevant retail credit firms.

M2 – Home Reversion Firms

Each home reversion firm that has been authorised by the ***Central Bank*** shall be liable to pay the levy contribution corresponding to its ***impact category*** as set out in Table 17 below.

Table 17					
Impact Category	*Ultra High*	*High*	*Medium High*	*Medium Low*	*Low*
Levy	N/A	N/A	N/A	N/A	€3,740

4.13 Category N: Payment Institutions and E-Money Institutions

Each payment and e-money institution that has been authorised by the ***Central Bank*** shall be liable to pay the levy contribution corresponding to its ***impact category*** and ***impact score*** as set out in Tables 18 and 19.

Table 18				
Impact Category	*Ultra High*	*High*	*Medium High*	*Medium Low*
Levy	N/A	N/A	€660,518	€181,204

Table 19			
Impact Category	*Low*		
Impact Score	≥ 100.1	51.1 - 100.0	≤ 51.0
Levy	€146,450	€16,230	€3,245

Section 5 – Financial Information for Industry Sectors

Cost of Financial Regulation in 2018

5.1 The 2018 adjusted[5] budget for financial regulation activity, as advised to the Minister for Finance, is €190.9 million and represents an increase of €19.5 million (+11.4%) on the Budget for 2017 of €171.4 million.

5.2 An exceptional gain arising on the sale of Dame Street in 2017 resulted in reduced costs on an exceptional basis in 2017. On a like for like basis, the budget for financial regulation costs increased by €11.3 million (6.3 per cent) between 2017 and 2018.

5.3 Direct staff costs comprise circa 50 per cent of the cost of financial regulation activity. As such, key cost drivers (estimated at €9.0 million) include the unwinding of FEMPI[6] legislation and changes in headcount. Notably, additional headcount has been required to deal with the level of applications for authorisation across many sectors arising from Brexit. Much of the authorisation capacity required has been achieved through re-prioritisation and engagement of third party support to minimise permanent headcount increases.

5.4 Table 20 below shows how the ***net Annual Funding Requirement*** is derived from the adjusted budget for financial regulation activities. The increase in the ***net Annual Funding Requirement*** reflects increase in the proportion to costs to be recovered from Industry as set out in Table 21.

Table 20

	2018	2017	Change	
Adjusted Budget for Financial Regulation	€190.9m	€171.4m	+€19.5m	+11.4%
Gross Annual Funding Requirement (**gAFR**) – i.e. Adjusted budget for Financial Regulation X Target Recovery Rate	€122.9m	€95.4m	+€27.5m	+28.9%
Net Annual Funding Requirement (***nAFR***) – i.e. gAFR adjusted for surplus/deficit from prior year	€129.0m	€95.5	+€33.5m	+35.1%

[5] Commission approved budget adjusted to smooth for pension volatility in the levy calculation process
[6] Financial Emergency Provisions in the Public Interest (FEMPI) legislation

How the *net Annual Funding Requirement (nAFR)* is determined

5.5 The ***gross Annual Funding Requirement (gAFR)*** arising from the budget of €190.9 million is calculated by applying the target recovery rate for each sector (see Table 21 below) to the budgeted cost of regulating that sector. This results in a total gAFR in 2018 of €122.9 million[7].

Table 21			
Industry Funding Category	Category	2018 Recovery Rate	2017 Recovery Rate
ELG Credit Institutions	A1a	100%	100%
Other Credit Institutions	A1b, A2, A3	80%	65%
Insurance Undertakings	B	80%	65%
Retail Intermediaries and Debt Management Companies	C	65%	50%
Investment Firms	D	80%	65%
Client Asset Requirements	D	80%	65%
BRRD Admin Levy	D	80%*	65%
Funds	E1	65%	65%
Fund Service Providers	E2	80%	65%
Credit Unions	F	0.01% of Total Assets, resulting in an effective rate of c9%	0.01% of Total Assets, resulting in an effective rate of c9%
Moneylenders	G	65%	65%
Approved Professional Bodies	H	65%	65%
Bureau de Change	J	65%*	65%*
Retail Credit, Home Reversion and Credit Servicing Firms	M	65%	65%
Payment and E-Money Institutions	N	65%*	65%

**Additional Subvention applies which has the effect of reducing the levies payable by firms in these categories*

[7] The ***gross Annual Funding Requirement*** reflects:
a) the impact of the smoothing of pension costs;
b) the recovery rates set out in Table 21;
This was, however, partially offset by:
i. the continued capping of the credit union levy at 0.01 per cent of total assets. This results in a required subvention from the ***Central Bank*** of €16.9 million.
ii. the adjusted shortfall of €7.0 million carried forward from 2017; and
iii. the exclusion of the 2018 budget for costs of €10.7 million relating to certain securities market supervision activities carried out by the ***Central Bank*** in respect of the Prospectus, Market Abuse, Transparency, Short Selling and European Market Infrastructure Regulations Directives.

5.6 In order to determine the amount that must be collected from industry in 2018 – the 2018 ***nAFR*** – an adjustment is made for the under/over recovery of costs in 2017. This adjustment is calculated by comparing the amounts collected from the 2017 industry funding levy with the proportion of actual expenditure attributable to Industry in 2017. An adjusted shortfall of €7.0 million arose in 2017 and the required amount to be collected from industry in 2018 has been increased accordingly.

5.7 Unpaid levies represent €1.9 million of this shortfall. Since 2015, unpaid levies have been redistributed over all categories in proportion to each category's share of levies before redistribution. This approach avoids the paradox whereby failure to pay the levy benefits the delinquent firm and also imposes the costs it has avoided on its direct competitors.

5.8 Minor additional subventions totalling €0.83 million have been applied in respect of Bureau de Change (€0.12 million), Payment and E-Money Institutions (€0.60 million) and the BRRD[8] Admin Levy (€0.11 million). The purpose of these minor subventions is to contain the impact of cost increases on small populations and, in the case of Payment and E-Money firms, to take account of exceptional re-authorisation costs arising under PSD2[9]).

5.9 Following adjustment for the shortfall relating to 2018 and the additional subventions outlined above, the amount to be collected from industry in 2018 is €129.0 million. This represents an increase of €33.5 million on the nAFR for 2017 of €33.5 million (+35.1%) mainly due to the widening of recovery rates.

Calculation of Levy rates for individual *Financial Service Providers*

5.10 Costs directly attributable to a particular ***industry funding category*** are allocated solely to the ***industry funding category*** concerned. Such costs include the pay, non-pay and overhead costs associated with the front-line supervision of ***regulated entities*** on a day to day basis. They also include pay, non-pay and overhead costs associated with divisional management and with those specialist support staff located within supervision divisions of the ***Central Bank*** who provide expert advice and support relating to particular ***industry funding categories***.

5.11 Costs related to the investigation and follow-up of legacy issues related to the financial crisis are funded solely by the particular ***industry funding categories*** concerned.

5.12 The cost of those resources dedicated by our Consumer Protection and Enforcement Divisions to the supervision of ***low impact*** firms must be borne by such firms in proportion to their share of the total impact based resources attributable to ***low impact*** firms. In a similar fashion, the balance of

[8] Banking Recovery and Resolution Directive
[9] Payment Services Directive [2] which aims to extend the rules around payment services put in place by the first EU Payment Services Directive

the resources available to the ***ultra high*** to ***medium low impact*** categories must be borne by those firms in proportion to their share of the total impact based resources attributable to firms other than ***low impact*** firms.

5.13 The cost of other financial regulation support activities (such as the development of supervisory policy in relation to credit institutions or insurance companies) which are directly attributable to ***industry funding categories*** will be borne by the particular ***industry funding category*** concerned while the cost of other financial regulation support services (such as Risk Division) are borne by ***regulated entities*** in proportion to their share of supervisory resources.

5.14 The basis for distributing financial regulation costs attributable to each ***industry funding category*** across individual ***regulated entities*** within a particular ***industry funding category*** is set out in Table 22 below:

Table 22			
Industry Funding Categories	Levy Type	Ref	Basis for Distribution of Costs across firms within each of these categories
• Insurance Undertakings • Securities and Investment Firms • Fund Service Providers • Firms subject to ***Client Asset Requirements*** • Firms subject to BRRD Admin Levy • Non-low impact Payment and E-Money Institutions	PRISM Based	4.2 4.4 4.6 4.4 4.4 4.13	Based on relative allocations of the supervisory resources attributable to the ***Industry Funding Category*** concerned
• Credit Institutions • Retail Intermediaries & Debt Management Companies • Moneylenders • Investment Funds • Credit Unions	Formula Driven	4.1 4.3 4.8 4.5 4.7	Application of relevant formula
• Approved Professional Bodies • Bureau de Change • Retail Credit/Home Reversion/Credit Servicing Firms	Flat Rate	4.9 4.10 4.12	Allocated equally among the firms in each of these categories
• Low impact Payment and E-Money Institutions	Banding Structure	4.13	

Section 6 – Appendices

Appendix 1 – Comparison of 2018 and 2017 *Net Annual Funding Requirement (nAFR)*

Industry Sector	Description	2018 nAFR	2017 nAFR	Variance
		€'000	€'000	€'000
A1a	Irish authorised Credit Institutions admitted to the ELG Scheme 2009 and their subsidiaries	25.561	18,145	7,416
A1b/A2	Irish authorised Credit Institutions (other than those in A1a) and EEA Branches	25,061	14,336	10,725
A4	Supplementary Levy for Credit Institutions	5,257	5,535	(278)
B	Insurance Undertakings	35,486	26,381	9,105
C	Intermediaries and Debt Management Companies	6,035	4,412	1,623
D/E2	Securities & Investment Firms and Investment Fund Service Providers	20,919	17,088	3,831
E1	Investment Funds	5,523	5,001	522
F	Credit Unions	1,680	1,630	50
G	Moneylenders	887	525	362
H	Approved Professional Bodies	33	12	21
J	Bureaux de Change	11	11	-
M	Retail Credit/Home Reversion/Credit Servicing Firms	1,286	1,387	(101)
N	Payment Institutions & E-Money Institutions	1,269	1,016	253
	Total	129,008	95,479	33,529

Appendix 2 – Population of Each Industry Sector

Industry Sector	Description	2018 No. of Entities	2017 No. of Entities	Change #	Change %
A1a	Significant Institutions that were admitted to the ELG Scheme 2009	3	3	-	-
A1b	Irish authorised Credit Institutions not in A1a that are (a) Significant Institutions, (b) subsidiaries of Significant Institutions providing retail services through branch network, (c) 'High Priority' Less Significant Institutions.	8	6	+2	+33.3
A2a	Non-retail subsidiaries of Significant Institutions; credit institutions authorised under Section 9A of the Central Bank Act, 1971.	9	12	-3	-25.0
A2b	Credit Institution - EEA Branch	34	33	+1	+3.0
B1 B4 B7	Insurance Life - Irish Head Office Insurance Non - Life Irish Head Office Reinsurance	213	219	-6	-2.7
B2 B5	Insurance Life - EEA Branch Insurance Non Life - EEA Branch	42	42	-	-
C	Intermediaries and Debt Management Companies	2,272	2,365	-93	-3.9
D1, D2, D3, D4, D6	Securities & Investment Firms	85	88	-3	-3.4
D5	Member Firms of the Irish Stock Exchange	7	6	+1	+16.7
D9	High Volume Algorithmic Traders	2	2	-	-
D10	Market Infrastructure Firms	4	4	-	-
D11	Investment Firm – EEA Branch	34	36	-2	-5.6
E1	Investment Funds	1,302	1,250	+52	+4.2
E2a, E2b, E2c	Investment Fund Service Providers	214	217	-3	-1.4
E2d	Investment Fund Service Providers – EEA Branch	7	7	-	
F	Credit Unions	277	303	-26	-8.5
G	Moneylenders	38	39	-1	-2.6
H	Approved Professional Bodies	3	3	-	-
J1	Bureaux de Change	11	12	-1	-8.3
M	Retail Credit Firms, Home Reversion Firms and Credit Servicing Firms	32	35	-3	-8.6
N	Payment & E-Money Institutions	15	14	+1	+7.1

Appendix 3 – Glossary

Central Bank means the Central Bank of Ireland.

BRRD is the Bank Recovery and Resolution Directive 2014. The BRRD sets out the rules for the resolution of Banks and large investment firms in all EU Member States.

Client Asset Requirements means those requirements imposed by the ***Central Bank*** under Regulation 79 of the European Communities (Markets in Financial Instruments) Regulations 2007 on investment firms that hold client assets. The Requirements are designed to protect and safeguard client assets (consisting of funds and financial instruments) which an investment firm, in the course of providing investment services, holds on behalf of clients. The Requirements are also imposed by the ***Central Bank*** under Section 52 of the Investment Intermediaries Act, 1995 on investment business firms authorised to hold client assets.

ELG Scheme Institution means a credit institution authorised under Irish legislation which was admitted to the Eligible Liabilities Guarantee Scheme, 2009.

Financial Service Providers see ***Regulated Entities***

Investment Fund Service Providers is the collective term used to describe the parties providing services to an investment fund.

Gross Annual Funding Requirement (gAFR) represents the relevant proportion (see Table 23 Section 4) of the budget for financial regulation activities for the year in question which will be funded by industry.

High Impact *regulated entities* are large domestic and international financial firms which are major players in their respective markets with considerable potential to cause large-scale damage to financial sector stability.

A **High Volume Algorithmic Trading Firm** is a ***regulated entity*** which primarily executes a large volume of buy and sell orders using proprietary algorithmic trading software technology.

Impact category is derived from the ***Central Bank***'s Probability Risk and Impact System (***PRISM***). It reflects the ***Central Bank***'s assessment of the potential impact of the failure of a ***regulated entity*** on financial stability and consumers.

Impact metric data means selected items extracted from a ***regulated entity's*** most recent ***On-Line Regulatory Return.***

Impact Score is derived from the ***Central Bank***'s Probability Risk and Impact System (***PRISM***). It represents a numeric evaluation of a ***regulated entity***'s potential impact calculated by combining ***impact metric data***.

Industry Funding Category - for the purposes of the annual Industry funding levy, ***regulated entities*** are categorised according to the financial activities they are authorised to undertake. For example, credit institutions are category A, insurance undertakings are category B, retail intermediaries are category C and so on. There are currently 12 industry funding categories. Please see Section 4 for further details.

Low Impact ***regulated entities*** constitute the bulk of the ***regulated entities*** operating in Ireland. Failure of individual ***regulated entities*** in this category would not cause significant damage to the State or its citizens as a whole.

Less Significant Institution: A Bank which continues to be under the direct supervision of the National Competent Authorities.

A **Markets Infrastructure Firm** is a ***regulated entity*** that either:

(a) operates a trading platform; or

(b) provides clearing and/or settlement services to market participants.

Medium High Impact ***regulated entities*** are large firms with considerable potential to cause prudential harm or customer loss. They are, however, not systemically important institutions and their failure, (if managed properly), should not derail the financial system or wider economy.

Medium Low Impact ***regulated entities*** are typically medium-sized and non-dominant players in their respective industries.

Net Annual Funding Requirement (nAFR) represents the adjustment of the ***Gross Annual Funding Requirement (gAFR)*** for the amount of any under/over recovery of the costs of financial regulation in the prior year.

On-Line Regulatory Return is the return that must be completed by certain types of ***regulated entities*** and submitted to the ***Central Bank*** by means of a secure web based system. The amount and type of information that the ***Central Bank*** requires to be included in these regulatory returns varies between financial sectors. Links to the sectoral requirements are available in the reporting requirements section of the Financial Regulation Industry Sectors.

PRISM (**P**robability **R**isk and **I**mpact **S**yste**M**) is the name given to the framework that the ***Central Bank*** has developed to apply risk based supervision.

Regulated Entities means persons who are subject to regulation under designated enactments and designated statutory instruments (including ***financial service providers*** whose business is subject to regulation by an Authority that performs functions in an EEA country that are comparable to the functions performed by the ***Central Bank*** under a designated enactment or designated statutory instrument) and also includes former regulated entities who were regulated for part of the levy period.

Regulator is the state body charged with the responsibility for the prudential supervision of authorised ***financial service providers.*** In Ireland, the regulator is the ***Central Bank*** of Ireland.

Significant Institution: A credit institution to which such importance is attached that it is directly overseen by the ECB.

Ultra High Impact ***regulated entities*** are the largest domestic ***regulated entities*** or international ***regulated entities*** with Irish headquarters and with potential to cause large scale damage to the financial system and the Irish economy.