



Banc Ceannais na hÉireann  
Central Bank of Ireland  
Eurosystem

2016

Feedback Statement on CP102 -  
Consultation on new methodology to calculate  
Funding Levies for Retail Intermediaries

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## 1. Introduction

- A. The Central Bank of Ireland's ("the Central Bank") total funding requirement for financial regulation activity is determined on an annual basis by the resources required to discharge its legal responsibilities under domestic and EU law.

Following a public consultation in 2012, the method for calculating industry funding levies for retail intermediaries was reformed to one based on PRISM impact categories from the 2013 year.<sup>1</sup> In 2014, to address concerns regarding threshold effects, the Central Bank revised its methodology and the number of impact bands was increased from three to seven for retail intermediaries.

- B. Representations have been made to the Central Bank by retail intermediaries and their representative bodies that the levies based on PRISM impact scores were subject to opaque threshold effects which should be remedied.
- C. On 26 April 2016 the Central Bank published consultation paper CP102 *New Methodology to Calculate Funding Levies for Retail Intermediaries* ("CP102") in order to remove the threshold effect and increase the transparency of levies paid by retail intermediaries, while maintaining the principle that larger intermediaries pay higher levies than smaller ones. In CP102, the Central Bank proposed a new levy methodology. The proposal is that from the levy year 2016, retail intermediaries are charged a levy comprised of a flat element plus a variable element, set as a percentage of reported income from commissions and fees that exceed a threshold. The flat and variable elements will be determined annually.
- D. Stakeholders were invited to provide observations and comments on the proposed amendments. The closing date for comments was 24 May 2016 and nine responses were received.
- E. This document sets out the Central Bank feedback on responses received to CP102.
- F. The proposed changes will be converted into regulations to be issued under Section 32D of the Central Bank Act 1942.

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<sup>1</sup> CP61: Consultation on Impact Based Levies and Other Levy Related Matters, 2012.

## 2. Feedback on proposed changes to calculate funding levies for retail intermediaries

The eight responses summarise as follows:

1. Three responses expressed satisfaction with the new proposed methodology while some of these included caveats:
  - i. One indicated outright satisfaction with the new methodology;
  - ii. One expressed satisfaction that the proposed approach addresses key concerns but registered disappointment at the lack of progress in relation to issues raised in response to CP95; and
  - iii. One endorsed the move to a levy based on turnover as the preferred approach. The response also included concerns about the upward trend in fees in recent years and the effect of proposals to move to a one hundred per cent funding model taking into account the viability of intermediaries and the employment in the sector, calling for an independent examination of Central Bank costs and the elimination of unnecessary and inefficient costs.

**Central Bank:** The Central Bank welcomes the positive nature of the industry response overall and acknowledges that the changes do not address all of the issues raised in response to CP95 which will be the subject of a separate feedback publication. The outcome of CP95, a joint public consultation undertaken in 2015 by the Department of Finance and the Central Bank, has not yet been concluded.

2. Three respondents expressed concerns about the level at which the minimum levy is set:
  - i. Two responses expressed concerns in relation to the level of the flat fee linked to a concern that many sole traders have very limited income.
  - ii. Another suggested that earnings below €30,000 should be exempt.

**Central Bank:** The Central Bank estimates that the minimum levy will apply to approximately ninety per cent of Retail Intermediaries from whom levies are raised. While the responses are noted, setting the threshold lower or introducing an exemption will result in a higher burden on other firms. Whilst Central Bank policy is that authorised firms must pay the appropriate levy, regulated entities do have the right to request an appeal or waiver.

3. Two respondents focused on the definition of commission.

**Central Bank:** The Central Bank has noted these submissions but has no plans to change the definitions at this time.

### 3. Next Steps

The Central Bank appreciates the engagement with stakeholders in relation to CP102 and, taking into account the various submissions, will now proceed to introduce the changes set out in CP102 for the 2016 levy year.

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T +353 1 224 4022 F +353 1 224 4033 [www.centralbank.ie](http://www.centralbank.ie) [funding@centralbank.ie](mailto:funding@centralbank.ie)



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PO. Box No 9708, Dame Street, Dublin 2, Ireland