PIBA submission on the New Methodology to Calculate Funding Levies For Retail Intermediaries Consultation Paper CP 102

MAY 2016

The Professional Insurance Brokers Association (PIBA) is the largest representative body for financial and insurance brokers with over 880 member firms throughout Ireland. This submission outlines a response to the consultation paper in relation to the New Methodology to Calculate Funding Levies, for Retail Intermediaries, CP 102, on behalf of our members.

PIBA welcomes the Central Bank's proposals to revert to the calculation of levies based on turnover with the proposed methodology of a flat and variable element over the threshold proposed. A levy based on turnover is the preferred approach by intermediaries and we feel it is a more transparent and fair method for determining fees to be applied on the intermediary sector.

PIBA would however like to highlight our concerns in relation to the upward trend in intermediary fees in recent years. Since 2010, we have seen the industry levy continually rise every year through a period of general economic recession. Intermediaries have seen their levies increased substantially coupled with increasing premiums for Professional Indemnity Insurance and levies to the Financial Services Ombudsman and ICCL.

Intermediaries capacity to sustain further fee increases are limited and already the recent increases have caused intermediary numbers to shrink, were this trend to continue it would mean that the remaining intermediaries will have an increased burden. The effect of proposals to move to a 100% funding model which in effect doubles the levy should also be borne in mind in relation to the viability of Intermediaries and the knock on effect on employment within the sector.

Given the decrease in intermediary numbers, there is a need for the costs associated with supervising the intermediary sector to be scalable to the number of intermediaries operating in the sector. We understand that a large proportion of regulatory costs are fixed overhead costs (IT, HR and other central services) and that the direct or marginal costs of regulating a particular sector may be substantially lower than the total assigned cost.

As proposed in PIBA and the IBA (Brokers Ireland) submission on Consultation Paper CP 95 in 2015, we believe an independent examination should take place on the Central Bank to examine the effectiveness and efficiency of existing structures and costs of the regulatory system with the elimination of all unnecessary and inefficient costs.