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Funding Levies Consultation 108 of 2017
Central Bank of Ireland
PO Box 9708
New Wapping Street,
North Wall Quay
Dublin 1

26 April 2017

Dear Sir/Madam,

The purpose of this letter is to respond to the Central Bank of Ireland's consultation paper in respect of a proposed revision of the methodologies for calculating the Industry Funding Levy (CP 108).

Current Approach

In respect of *Credit Institutions*, PTSB is of the view that a number of aspects of the current approach require significant revision as there is not a proportionate allocation of CBI costs across institutions. In particular, PTSB highlights the fact that it pays the same quantum of levy as other institutions that are approximately four to five times its size.

Response To The Proposed New Methodology

All observations below are made solely in respect of the proposed methodology for *Credit Institutions*, as outlined in Section 4.1 of *CP108*. PTSB does not express any view on the proposed methodology for other entities (i.e. investment firms, fund service providers or insurance undertakings)

1. **PSTB welcomes the proposed introduction of a considerable element of proportionality into the methodology**, in particular, with regard to the allocation of the *Variable Rate Component* of the levy and believe this to be a progressive revision that substantially addresses the lack of proportionality inherent in the current approach.

2. **However, PTSB does not consider the continued use of admittance to the ELG Scheme as a key criterion in the determination of an institution's levy contributions to be appropriate** for the following reasons:

    a. The Scheme was terminated in excess of four years ago and a number of the *Participating Institutions* are no longer, in practical terms, in operation.

    b. The time-defined nature of this criterion is anti-competitive, inappropriately favouring subsequent market entrants by ensuring they are only required to pay 50% of their respective levy contribution (whereas extant *Participating Institutions* are subject to payment of 100% of their respective levy contribution(s)).

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c. The volume of covered liabilities has fallen to immaterial levels. i.e. of the estimated €400bn of liabilities that were initially covered by the *ELG Scheme* less than 0.7% remains[1].

On the basis of the foregoing, and the fact that no logical basis has been provided for linking future allocations of regulatory costs to historic participation in the ELG Scheme, PTSB considers this criterion to be outdated and inappropriate.

3. **PTSB does not support the proposed divergence from the ECB Methodology in respect of the treatment of *Significant Institutions* and *Less Significant Institutions*.** These terms are clearly defined within the industry's existing regulatory framework and are, therefore, clearly understood and transparent. The proposed alternative introduces new concepts (*Category A* and *Category B* entities) which, in contrast, are not clearly defined, thereby introducing an unwelcome element of uncertainty and complexity into the methodology that is not only not required, but easily avoided through adherence to the existing ECB methodological guidelines.

4. **PTSB notes that no detail has been provided in respect of the mechanism(s) by which the Central Bank's operating costs (that are recharged to the industry) are subject to oversight and challenge.** Additionally, PTSB highlights that no assurance is provided regarding future levels of such costs which, in turn, gives rise to budgeting, forecasting and capital planning risk for individual entities. In the context of the significant efforts that the industry itself has made in the area of cost-control and delivering operational efficiencies, PTSB would welcome a greater level of transparency in this area.

In summary, whilst PTSB acknowledges the direction of travel towards a more transparent and proportionate cost allocation regime, it must register its view firmly that 'disproportionality' still applies. PTSB requests further honing of the methodology based on a clearer link to scale and complexity.

Yours faithfully,

Jeremy Masding

Jeremy Masding
Group CEO

[1] *€2.5bn at end April 2016*