



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

Feedback Statement on **CP117** - Consultation on New Methodology to Calculate Funding Levies payable by Moneylenders

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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 moneylenders was reformed to one based on PRISM impact categories from the 2013 year. To address concerns regarding threshold effects, the Central Bank adopted a tiered approach in relation to the levies payable by moneylenders, with the relevant tier being determined by the regulated entity's impact score under PRISM.

- B. Representations have been made to the Central Bank by industry representatives that the levies based on PRISM impact scores were subject to opaque threshold effects which should be remedied.
- C. On 22 March 2018, the Central Bank published consultation paper CP117 New Methodology to Calculate Funding Levies payable by Moneylenders ("CP117") in order to remove the threshold effect and increase the transparency of levies paid by moneylenders, while maintaining the principle that larger moneylenders pay higher levies than smaller ones. In CP117, the Central Bank proposed a new levy methodology. The proposal is that from the levy year 2018, moneylenders are 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.
- D. Stakeholders were invited to provide observations and comments on the proposed amendments. The closing date for comments was 17 May 2018 and three responses were received.
- E. This document sets out the Central Bank feedback on responses received to CP117.
- F. The proposed changes will be converted into regulations to be issued under Section 32D of the Central Bank Act 1942.

Feedback on proposed changes to calculate funding levies for moneylenders

The three responses all expressed satisfaction with the proposed new methodology with some caveats.

The responses are summarised as follows:

1. The first response, from a licensed firm, cited “no objections to the proposed new methodology”.
2. The second response, from industry representatives, stated that they “agree with the new methodology for calculating the Licence Fee and believe it would help with the transparency of the Licence Fee and allow firms plan their costs going forward”.

They raised a concern that “with the push by the Central Bank to full industry funding”, increases in levies “will inevitably lead to some companies being left with no alternative but to pass the increased costs onto the consumer”.

3. The final response, from a licensed firm had “no objection to the proposal on condition that turnover to be taken into account in calculating the levy payable by moneylenders consists solely of income from regulated activity” and requested that a definition of ‘turnover from regulated activity’ be “consistent with the definition set out in the Renewal Application for Authorisation as a Moneylender”.

Central Bank Response:

The Central Bank notes the positive nature of the industry response overall.

While the Central Bank appreciates that increases in levies will impact industry costs, proposals to increase costs payable by the consumer are subject to a separate regulatory approval process.

Finally, consistent with the definition as set out in the Renewal Application for Authorisation as a Moneylender, turnover/income represents any income, such as the interest and permitted charges (e.g. collection charges), received on foot of moneylending agreements entered into, or serviced by, a licensed moneylender. It is derived from the principal activity (i.e. moneylending) wholly undertaken in Ireland.

Next Steps

The Central Bank appreciates the engagement with stakeholders in relation to CP117 and, taking into account the various submissions, will now proceed to introduce the changes set out in CP117 for the 2018 levy year.

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