BPFI Response to CP167

Consultation on the Methodology for Calculating Contributions to the DGS

1. Introduction

Banking & Payments Federation Ireland (BPFI) and Federation of International Banks in Ireland (FIBI) welcome the opportunity to respond to CP167, the Central Bank of Ireland's consultation on the proposed change to the methodology for calculating annual contributions to the Deposit Guarantee Scheme (DGS), moving from a flow-based to a stock-based approach, with effect from Q3 2026.

BPFI and FIBI represent a broad and diverse membership of retail, corporate, international and specialist banking and payments providers operating in Ireland. Member firms differ significantly in scale, risk profile, business model and timing of market entry, all of which are relevant considerations in the design and application of DGS contribution methodologies.

2. General Support for the Move to a Stock-Based Methodology

BPFI and FIBI broadly welcome the proposed move to a stock-based methodology for calculating DGS contributions.

Members support the Central Bank's stated objective of enhancing proportionality, particularly in the context of the Irish DGS having reached its minimum target level of 0.8% of covered deposits at aggregate level. The proposed approach better recognises the cumulative nature of historical contributions and avoids repeated collection from firms that have already contributed materially to the build-up of the fund during the initial ramp-up period, in particular where they have contributed more than 0.8% of their own covered deposits.

In this respect, the stock-based methodology represents a more balanced and equitable framework for funding the DGS over the medium to long term.

3. Recognition of Cumulative Contributions and the Concept of "Credit"

We particularly welcome the explicit recognition, under the proposed methodology, that a firm's past contributions may result in it being "in credit" relative to its current risk profile and covered deposit base.

Members consider this an important and appropriate evolution of the methodology. Acknowledging cumulative over-contribution improves fairness between firms with different histories in the Irish market and reinforces confidence that early and significant contributions will continue to be reflected in future funding decisions.

The recognition of credit positions also improves transparency and predictability for firms in assessing their expected contribution obligations over time.

4. Simplification and Improved Understandability

From an industry perspective, the proposed stock-based approach is inherently more understandable than the current flow-based methodology.

In particular, by focusing on a firm's own cumulative position rather than its relative position versus peers in a given cycle, the approach:

- Reduces the degree of peer-driven relativism in contribution outcomes
- Limits volatility driven by changes in other firms' risk profiles rather than by changes in a firm's own activities
- Enhances firms' ability to explain DGS outcomes internally, including to boards and group functions

Members therefore view the proposed change as a practical simplification, consistent with broader regulatory objectives around clarity, transparency and proportionality.

5. Aggregate Target Level and Collection Principles

We welcome the Central Bank's clear confirmation that the proposed methodology does not seek to require each individual firm to reach a contribution level equivalent to 0.8% of covered deposits on a firm-by-firm basis.

The reaffirmation that the 0.8% requirement applies to the aggregate DGS fund, and that contributions will be collected only where required to maintain that aggregate target, provides important assurance to members.

In this context, BPFI and FIBI also welcome the Central Bank's articulation that not all firms will be subject to a contribution request in every funding cycle.

Members consider it important that the operational application of the methodology continues to reflect this stated intent, so that the proportionality and simplification benefits of the stock-based approach are fully realised in practice.

6. Further Clarity on Contributions for Firms Below the Target Level

While supportive of the overall approach, members would welcome additional clarity on the practical operation of the methodology in circumstances where firms' cumulative contributions remain below their implied stock-based position and where additional contributions must be collected to return the DGS to its aggregate target level of 0.8%.

In particular, further clarity would be helpful on how the amount required to restore the DGS to the 0.8% aggregate target level will be allocated across firms whose cumulative contributions remain below their implied stock-based position.

In this context, members consider that additional transparency around the forward-looking application of the stock-based methodology would be beneficial. In particular, clarity on how future contribution requirements will reflect firms' underlying risk characteristics over time would assist in ensuring that contribution outcomes remain proportionate and aligned with the objectives of the revised EBA framework.

Members would also welcome clarity on how significant contribution requirements would be managed and phased in practice, for example where there was a substantial draw down of DGS funds or large increase in aggregate covered deposits in a given period.

Members note that, within the stock-based approach, the interaction between covered deposits, risk-based indicators and cumulative contribution positions will be central to maintaining confidence in the methodology. Greater transparency around these interactions and factors (for example through the publication of periodic information on DGS fund means and covered deposit stocks) would support predictability, facilitate internal planning, and reinforce the link between contributions and firms' evolving risk profiles.

7. Importance of Retaining the Aggregate Collection Cap and Supporting Market Entry

We strongly support the principle that DGS contributions continue to be collected only up to 0.8% at aggregate fund level and consider it essential that this principle is retained on an ongoing basis.

Any move, whether explicit or implicit, towards imposing a *de facto* 0.8% requirement at individual firm level would risk creating unintended consequences. In particular, such an outcome would present a material barrier to new entrants that were not present during the original DGS ramp-up period and therefore could not have contributed cumulatively over time.

Maintaining the aggregate-level collection framework is important to ensuring:

- Competitive neutrality between incumbent firms and new entrants
- Ongoing market dynamism and contestability
- Consistency with the original purpose and design of the DGS framework

8. Conclusion

In summary, BPFI and FIBI support the Central Bank's proposal to adopt a stock-based methodology for DGS contributions and welcome the increased proportionality, transparency and simplification it is intended to deliver.

Members encourage the Central Bank to provide additional operational clarity in respect of firms below the implied stock-based position and to continue to apply the methodology in a manner consistent with the aggregate-level funding principles set out in CP167.

BPFI, FIBI, and their members would be happy to engage further with the Central Bank on the implementation of the proposed approach.

Finally, while this response is focused on the specific proposals set out in CP167, members would welcome the opportunity to engage more generally with the Central Bank, outside the scope of this consultation, on the design and calibration of DGS risk-weightings over time. In particular, a broader discussion on how different prudential characteristics and business models are reflected within the risk-based framework could be valuable in supporting proportionality, transparency and confidence in the DGS on an ongoing basis.