



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

Consultation Paper 167

Consultation on the methodology for
calculating contributions to the DGS

March 2026

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1 Executive Summary

The Central Bank of Ireland (Central Bank) is proposing to change the method used to calculate annual contributions to the Deposit Guarantee Scheme (DGS) from the current “flow-based” approach to a “stock-based” approach, to take effect from Q3 2026. The stock-based approach considers each member institution’s cumulative past contributions when deciding whether further contributions are required.

Why is this being proposed?

The Central Bank’s aim is to make contribution requests more proportionate for member institutions, now that this new stock-based approach is available to use under the EBA methodology and that the DGS Fund has reached its minimum target level. A member institution’s contribution calculated using the stock-based approach will more closely reflect changes in its risk profile and the level of covered deposits it holds. It also introduces the possibility that a member institution’s past contributions could place it in credit against future contributions.

What is not changing?

The DGS Fund’s minimum target level remains 0.8% of total covered deposits, and the Central Bank will continue to collect only the amount needed to meet that target. The calculation of an institution’s risk weighting will remain the same.

What does this mean for depositors and DGS member institutions?

Depositors’ protection by the DGS is unaffected.

Under the proposed stock-based approach, not all member institutions will be subject to a contribution request in every cycle when funding is required. In the event that contributions are required to maintain the DGS Fund’s 0.8% minimum target level, contributions will initially be sought from those member institutions that have, to date, contributed the lowest proportion of their risk-weighted covered deposits. Those firms that, under to the previous flow methodology, have contributed more than their risk-weighted covered deposits will therefore not be called upon to contribute in the first instance.

Next steps

In this consultation, we invite feedback on these proposals and on the specific implementation of this new approach. Responses are due by **17 April 2026**. Details on how to respond can be found in Section 5.

2 Background

The Central Bank is designated as the national authority in the State that carries out the functions and duties of a [designated authority](#) for the purposes of [Directive 2014/49/EU](#) (the DGS Directive). This directive was transposed into Irish legislation in the form of the [S.I. No. 516 of 2015](#) (the DGS Regulations) which provides the legal basis for the DGS in Ireland.

2.1 Revised EBA Guidelines

Article 13(3) of the DGS Directive mandated the European Banking Authority (EBA) to issue guidelines on how to calculate contributions to deposit guarantee schemes, as set out in Article 13(1) and (2). To that end, the EBA issued [Guidelines EBA/GL/2015/10](#) (2016 EBA Guidelines) on the methods for calculating contributions to DGSs on 22 September 2015.

Following a review of the 2016 EBA Guidelines and a public consultation in 2022, the EBA issued new guidelines, [EBA/GL/2023/02](#) (2024 EBA Guidelines), in 2023, applicable from 3 July 2024. These updated Guidelines introduced several amendments to the calculation methodology, including adjustments to formula components, clearer definitions for certain deposit types, and a requirement to regularly review and calibrate the calculation methods.

The updated Guidelines also detailed the application of an alternative stock-based approach to calculating contributions, which takes account of member institutions' past contributions. The original 2016 EBA Guidelines outlined only one approach to calculating contributions, known as the flow-based approach, in which past contributions were not considered. The 2024 EBA Guidelines do not recommend one calculation approach over the other; they are designed to align practices across EU DGSs whichever approach is chosen.

2.2 Central Bank Assessment

Considering the updated 2024 EBA Guidelines and the fact that the Irish DGS Fund reached its required target level (0.8% of covered deposits¹) in July 2024, the Central Bank decided to review its approach to the calculation of DGS contributions, as part of the broader implementation of methodology updates required by the 2024 EBA Guidelines.

¹ 'Covered deposits' refers to the total value of deposits that are eligible for protection by the Deposit Guarantee Scheme. Further details are available at <https://www.depositguarantee.ie/>.

We compared the stock-based approach with the current flow-based method to assess potential effects on the DGS Fund and on the level of contribution of member institutions. Our analysis focused on scenarios that might require new contributions now that the Fund has reached its 0.8% target. This included organic growth in total covered deposits (from existing members of the DGS or new entrants) and any call on the DGS Fund arising from a liquidation that would require it to be replenished.

Based on this assessment, the Central Bank has determined that introducing the stock-based approach would bring increased proportionality for member institutions in respect of the calculation of contributions, particularly now that the DGS Fund has reached its minimum target level.

This assessment noted that, compared to the flow-based method, the stock-based method was more proportionate in that:

- a) Not all institutions are required to be levied in a given year, reducing operational complexity;
- b) Member institutions' cumulative contributions to the DGS will, over time, trend towards a risk adjusted 0.8% of their own covered deposits;
- c) Once fully implemented (i.e. all member institutions have contributed their risk adjusted 0.8% of covered deposits), firms that experience large increases in covered deposits will pay contributions based on those increases as opposed to all it being spread across all firms. This also applies to new entrants to the market.

The Central Bank is proposing to apply the stock-based approach for the calculation formula within the broader DGS calculation methodology from Q3 2026 onwards. Section 3 below describes this proposed change in the methodology in more detail.

3 Current Methodology

3.1 Flow-Based Approach for Calculating DGS Contributions

The Central Bank has to date applied the flow-based approach in the calculation of the annual DGS contributions in line with 2016 [EBA Guidelines](#). The principle of the flow-based approach is that it calculates an institution's DGS contribution as a proportion of their risk-weighted covered deposits without factoring in any prior contributions an institution has made to the DGS Fund. Under the flow-based approach all member institutions (with covered deposits) are required to make a contribution where invoices are being issued in that cycle.

The details of the full DGS calculation methodology applied by the Central Bank – [Risk-Based Contributions to the Irish DGS](#) – were published in 2016 on the Central Bank website. Following the conclusion of this consultation, please note that this document will be updated and will also detail the other mandatory updates to the DGS calculation methodology brought in by the 2024 EBA Guidelines not related to the transition to the stock-based approach and therefore out of scope for this paper².

² For example, the 2024 EBA Guidelines also brought in new minimum weights for the core risk indicators used in the calculation and a new formula to translate the aggregate risk score to an aggregate risk weight. For full details of all amendments to the calculation methodology please see [EBA/GL/2023/02](#).

4 Proposed Change to the Methodology

4.1 Overview of the Stock-Based Approach

The principle of applying the stock-based approach in the calculation formula is that it calculates an institution’s DGS contribution as 0.8% of their risk-weighted covered deposits, net of the sum of all previous contributions the institution has made (which represents the ‘stock’ of contributions).

The modifications needed to apply the stock-based approach are set out in Section 4.6 (iii), Paragraphs 76–80 of the [2024 EBA Guidelines](#). The primary change from the flow-based approach to the stock-based approach is to the formula for the calculation of a member institution’s periodic contribution (C_i), which changes from:

$$C_i = CR * ARW_i * CD_i * \mu$$

to:

$$C_i = CR_{stock-based} * ARW_i * CD_i * \mu - \sum net C_i \text{ of previous periods}$$

where:

- **C_i = Periodic contribution from member institution ‘i’.** If C_i is negative for an institution, that institution will not be required to contribute in that period and will be in credit for future contributions. *Discussed in (ii) below.*
- **$CR_{stock-based}$ = Stock-based contribution rate** (identical for all member institutions in a given period). Defined in Section 4.6 (iii), Paragraph 77.
- **ARW_i = Aggregate risk weight for member institution ‘i’.** This value is unchanged from the flow-based calculation. *Discussed in (iv) below.*
- **CD_i = Covered deposits for member institution ‘i’.** This value is unchanged from the flow-based calculation. *Discussed in (iv) below.*
- **μ = Adjustment coefficient.** The coefficient adjusts the amount of total contributions so as to reach the target level where otherwise the total contributions would be too high or too low.
- **$\sum net C_i$ of previous periods = The total historical contributions from a member institution.** *The reference period for historical adjustments is discussed in (iii) below.*

The primary difference is that the member institution’s historical contributions paid to the DGS Fund ($\sum net C_i$ of previous periods) are also

accounted for in determining their contribution. The contribution calculation for new members of the DGS is the same as that for existing members, but they will have no stock of historical contributions.

The Central Bank proposes to implement the stock-based approach with the following considerations:

- i) Contributions will be collected to meet the same target level as under the flow-based method

Currently, the Central Bank collects contributions to raise the level of the DGS Fund to meet the minimum target level, which is defined as 0.8% of covered deposits held by member institutions on the 30 June prior to calculation. **The Central Bank is proposing no change to the calculation of the minimum target level resulting from the move to the stock-based approach, and to continue to not collect above the minimum target level.** Hence, there is no change to the approach for setting the aggregate amount collected periodically from the member institutions. The proposed change only impacts how this amount is distributed among member institutions.

Section 2.2.1, Paragraph 15 of the 2024 EBA Guidelines states: “[E]ach institution should contribute a total of 0.8% of its covered deposits, multiplied by its most recent ARW”. If the stock-based approach was implemented in this way now that we have reached the minimum target level, it would result in collecting more than required to meet the target level, due to interest and any other income already in the DGS Fund and therefore will not be applied.

Section 2.2.1, Paragraph 16 states: “[T]he stock-based method allows to adjust for fluctuations of the covered deposits and the riskiness of each institution over time, even after the target level has been reached”. **If the DGS Fund meets the minimum target level, no contributions will be collected.** Fluctuations in covered deposits and riskiness will be handled automatically by the stock-based calculation meeting the target level in a subsequent period as required.

The advantage of this approach to the stock-based method is that when the DGS Fund is at target level, no contributions will be requested from members and member institutions will benefit from the previous contributions made by institutions that have exited the DGS Fund and interest income earned on the DGS Fund.

- ii) Contributions above Minimum Required

Consistent with the decisions to keep the calculation of the periodic target level unchanged and to only collect contributions to meet the minimum target

level, any member institutions that have historically contributed more than the amount required to meet the target level will effectively receive credit for future contributions.

Section 2.2.1, Paragraph 15 mentions the possibility of refunding but at present, reflecting the early phase of the fully-funded scheme, the Central Bank is not considering refunds: *“Once the DGS fund’s minimum target level is reached and yearly aggregate contributions of all member institutions amount to zero, individual institutions may still have to pay contributions if their risk profile increase or their covered deposits grow, while institutions with diminishing risk or decreasing deposits would get credit for future contributions or possibly a refund”*.

iii) Reference Period for Historic Contributions

All previous contributions made under the DGS since its inception in 2016 will be included in the calculation of a member institution’s ‘stock’ of contributions.

Section 4.6 (iii), Paragraph 79 requires that previous contributions for an ‘adequate’ period be included to establish a member institution’s contribution stock: *“The DGS should establish the sum of previous contributions of member institution ‘i’ for either all previous periods, or for an adequate period of time for which the DGS is able to establish the previous contributions of all member institutions”*.

For credit unions that have been transferees in transfer of engagement processes, the transferor’s contributions will be included in the transferee’s stock of contributions.

The Central Bank will contact the member institutions to confirm the historic contribution figures as necessary.

iv) Smoothing Mechanism for ARW and Covered Deposits

The Central Bank does not propose to introduce a smoothing mechanism by averaging ARW or covered deposits over multiple periods. There are no proposed changes to the ARW_i and CD_i inputs used in calculating a member institution’s periodic contribution (C_i).

In Section 2.2.1 Paragraph 20, the EBA includes an allowance for a smoothing mechanism: *“[T]he EBA concluded that under the stock-based approach, there is a need to enable DGSs to apply a smoothing mechanism so that an increase in contributions does not become too burdensome for individual member*

institutions. To that end, the EBA decided to allow competent authorities in cooperation with designated authorities to require DGSs to take the (weighted) average of the ARW and covered deposits over a few periods when calculating contributions of all member institutions”.

While such a mechanism would lessen the impact of changes in an institution’s covered deposits and/or risk profile on their contributions under the stock-based approach, we are not proposing to implement this as i) the latest values for covered deposits and risk weights are the most up-to-date and therefore most accurately reflect the risk posed to the DGS Fund and ii) the increased sensitivity to movements in ARW and covered deposits will be mitigated by a reduction in the aggregate periodic contributions since the ramp-up phase has concluded and the minimum target level has been reached.

4.2 Rationale for the Stock-Based Approach

In considering the above, the Central Bank notes the following advantages of applying the stock-based approach in future:

- growth in covered deposits will be allocated to the respective institution and/or to those institutions that have contributed the lowest proportion of their risk-weighted covered deposits to date. By contrast, under the flow-based approach, growth in covered deposits is allocated to all member institutions;
- not all institutions will be subject to a contribution request in every cycle when funding is required to be raised. This compares to the flow-based approach where all member institutions are required to make a contribution any time funding is required; and
- the stock-based approach will support increased transparency and clarity for members on DGS contribution amounts versus the flow-based approach where contributions are based on a proportion of their risk-based covered deposits relative to all other members.

4.3 Other Considerations

In reviewing the stock-based approach, the Central Bank also considered an alternative implementation to that outlined in the 2024 EBA Guidelines. Under this consideration, instead of summing all previous contributions since 2016 as a member’s ‘stock’ of contributions, the Central Bank considered whether the stock-based approach could be implemented by setting the initial ‘stock’ of contributions equal to zero in 2026 and having the stock of contributions paid in from member institutions only start to be counted from

2026 on. So, in the 2027 calculation, the sum of all previous contributions paid would be equal to those paid in 2026, and so on.

However, if the DGS calculation were to use an institution's current level of covered deposits but start with a zero stock of previous contributions, there will be a mismatch between the institution's covered deposit growth and calculated contributions very similar to that currently experienced under the flow-based contribution method.

The Central Bank concluded that this variant on the stock-based approach does not offer any meaningful change from the current flow-based approach and is not fully in line with 2024 EBA Guidelines (Section 4.6 (iii), Paragraph 79).

5 Consultation Proposals

5.1 Consultation

Having considered the 2024 EBA Guidelines in relation to the stock-based methodology the Central Bank proposes to apply this stock-based approach to future DGS contribution cycles, from 2026 onwards. The Central Bank welcomes the views of industry on this proposal.

5.2 How to Respond?

If you wish to respond to this consultation paper you may do so either electronically (as set out below) or in writing by **17 April 2026**, as set out below:

By email to:	By Post to
dgs@centralbank.ie	DGS Central Bank of Ireland PO Box 559 Dublin 1

Any submissions received after **17 April 2026** may not be considered. The Central Bank requests that you provide reasons and explanations for the responses you provide to this consultation paper as this will aid consideration of the issues.

Where possible, please also provide material, or references to material, that support or evidence the points you make in your responses. When responding, please indicate whether you are contributing to the consultation process as a professional adviser, representative body, business representative, or member of the public.

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