Banc Ceannais na hÉireann
Central Bank of Ireland
Eurosystem

Feedback Statement

Consultation on the methodology for calculating contributions to the DGS (CP 167)

August 2026

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1 Executive Summary

The Central Bank of Ireland (Central Bank) is changing 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.

On 13 March 2026, the Central Bank issued Consultation Paper 167 (CP167) to propose changes to the methodology for calculating contributions to the DGS. The deadline for responses was 17 April 2026.

Why is this being proposed?

The Central Bank's aim is to make contribution requests more proportionate for member institutions, now that a stock-based approach is available to use under the European Banking Authority (EBA) methodology and that the DGS Fund has reached its minimum target level of 0.8% of total covered deposits. 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 at 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 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 the previous flow-based methodology, have contributed more than their risk-weighted covered deposits will therefore not be called upon to contribute in the first instance.

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A total of five responses to CP167 were received (five from industry or representative bodies) with broadly positive feedback on the proposed approach.

This feedback statement has been prepared on a thematic basis with every attempt made to address all queries raised. Whilst all respondents noted their broad support for the proposed change to stock-based methodology, a number of issues were raised around: -

1. Transparency and Planning
2. Risk Based Queries
3. Refund Mechanism
4. Smoothening Mechanism
5. Other Matters (Historic contributions and also DGS coverage level)

2 Transparency and Planning

A number of respondents raised issues around transparency across a range of topics, including timing of invoices and publication of information related to the DGS Fund. Two respondents requested a worked example which was provided during the consultation phase. This worked example is now also included at Appendix 1.

One respondent also noted that the publication of periodic information on the DGS Fund would support predictability and facilitate internal planning. The EBA currently publish the covered deposit data and available financial means of the Irish DGS in April of each year. In addition, on the switch to the stock-based methodology, the Central Bank will engage with firms on a bi-lateral basis – as required – where a significant contribution request is likely to arise. The Central Bank will endeavour to engage bilaterally with firms before the end of September, in the year a contribution is due to be raised and will continue to review this approach. It will not, however, be possible to disclose the final amount of the contribution request to any impacted firm, until the calculation methodology has gone through the relevant internal governance requirements that is typically finalised in November/December, in a given year.

One respondent did query what year-on-year variability the Central Bank anticipates under the proposed model. Ultimately, this will partly depend on the evolution of covered deposits at a system level. The analysis of covered deposits since 2016 indicates that it is not possible to accurately forecast movement in covered deposits. This can be due to market exits, market entrants or large increases in covered deposits in a given period. Nevertheless, for a given level of change in covered deposits at a system level, the stock-based methodology will result in greater predictability at a firm level – as the level of covered deposits at an individual firm level will play a more important role in the stock-based methodology, relative to the flow-based one.

One respondent also requested information as to what detail will be provided in invoices. Importantly, it should be noted that in the event a contribution is not required from a firm there will be no invoice issued. It is envisaged that all invoices will contain the following: -

1. **Historic Stock Contribution**
2. **Aggregate Risk Weight (ARW)**
3. **Adjustment Co-Efficient**

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4. **Level of covered deposits held**

5. **Contribution Amount Required**

Another respondent queried whether the Central Bank expects persistent differences in contribution obligations between institutions and how will fairness be assessed over time. This query goes to the heart of the stock-based methodology in that any contribution amount requested is intrinsically linked to the level of covered deposits within an individual firm, the firm's specific level of covered deposits and the firm's "stock" of prior contributions.

One respondent also queried whether a firm's ranking relative to the historic-to-expected ratios of other credit unions could be provided. Firms will be able to calculate their individual historic-to-expected ratio at the time of the DGS calculation from the information that will be provided in the invoice.

One respondent also queried whether an annual breakdown for each Credit Union of their individual risk scores for each metric/risk score can be provided. As has been the case to date, an institution's ARW used in the DGS contribution calculation will be provided directly in any invoices issued. If an institution requires further details on the underlying drivers of movement in their ARW, they can query the Central Bank directly after issuance.

One respondent requested clarity as to how the amount required to restore the DGS Fund to the 0.8% target level will be allocated across firms whose cumulative contributions remain below their implied stock-based position. The worked example at Appendix 1 should assist in demonstrating how this will work in practice.

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3 Risk Calculation Theme

Several respondents raised queries about the risk-based contribution model and risk calibration. It is important to note that the calculation of risk indicators and their weightings did not form part of this consultation on the proposed change to a stock-based methodology.

The Central Bank regularly reviews risk indicators and weights annually during the calculation process. Respondents seeking further details on how these are calculated can refer to the Risk-based Contributions Guidance Document available on the Central Bank website. This document will be updated following the consultation to reflect the move to the stock-based approach.

To date, there is no evidence to suggest that the calculation of risk indicators requires change. However, in line with the updated EBA Guidelines[1] issued in 2023, the Central Bank is required to undertake a full recalibration of risk weights in future. This recalibration will be conducted separately from this consultation.

One respondent queried if their last risk weighting could be made available to assist them in calculating any potential contribution due under the stock-based methodology. It should be noted that this figure is contained in the 2023 invoices issued to firms in January 2024. Firms should note that this figure can be used to give an estimate of a firm's expected contribution but it is likely to change when it is recalculated in 2026, especially if the firm has observed changes in the underlying Core Risk Indicator[2] values.

4 Refund Mechanism

One respondent queried whether refunds could be given to firms who contributed amounts above their risk-weighted covered deposits and meet a specific threshold. This matter was considered carefully whilst the proposed change to the stock-based methodology was being reviewed. It was deemed more proportionate to provide a credit rather than a refund, mainly as covered deposit amounts can fluctuate within a given period at firm specific level so it would be difficult to reflect exact positions on an annual basis for all in-scope firms. In addition, the provision of refunds to firms who are exiting the market could result in the DGS being required to both refund contributions to a member firm for amounts they have contributed above the risk-weighted

[1] EBA/GL/2023/02: methods for calculating contributions to deposit guarantee schemes under Directive 2014/49/EU repealing and replacing Guidelines EBA/GL/2015/10
[2] 2016: Risk-Based Contributions to the Irish Deposit Guarantee Scheme

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covered deposits and then make a payment to another EU DGS scheme in respect of contributions received, aligned to the requirements under Directive 2014/49/ EU which is transposed into Irish Legislation in the form of S.I. No. 516 of 2015[3] (DGS Directive) on such amounts payable.

Another respondent queried over what timeframe will credits be realised. Credits will remain within the DGS Fund until such time as the credit has been absorbed either by a rise in firm level covered deposits or an overall shortfall in the DGS Fund that requires firms to contribute.

5 Smoothing Mechanism

Two respondents queried whether a smoothing mechanism could be applied. The EBA Guidelines allows for smoothening (or smoothing) of both covered deposits and ARW. Smoothing of covered deposits was not considered because, for a firm with large year-over-year covered deposit growth, smoothing would reduce their individual contribution while the aggregate shortfall would remain the same. This, therefore, would result in other DGS members being required to make up the difference via contributions. The situation is similar for ARW, that smoothing doesn't change the aggregate shortfall. It should be noted that smoothing would have been considered if there was a tendency for firms whose ARW increased in a year, for the ARW to decrease the following year, and vice versa. Statistical analysis conducted by the Central Bank showed that this was not the case and that a firm's ARW was as likely to continue trending in the same direction the following year as it was to reverse. The Central Bank concluded that the latest ARW was the most accurate and representative of the risk to the DGS Fund.

One respondent also queried whether the Central Bank had modelled extreme but plausible scenarios and what is the expected impact on contribution volatility. There are several factors that drive year-over-year changes in contributions, including: a firm's covered deposit growth and change in ARW; its historic-to-expected ratio and relative position of the ratio among DGS member firms; and the aggregate covered deposit growth from DGS member firms. Scenario analysis conducted by the Central Bank demonstrated that firms with very low historic-to-expected ratios may be required to make larger contributions, and this can occur with or without smoothing of the ARW. The

[3] https://www.irishstatutebook.ie/eli/2015/si/516/made/en/print?q=Deposit+Guarantee

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relative size of contributions diminishes to zero the closer a firm's historic contributions get to its expected contributions.

If a large shortfall was to arise in a period where some firms had a very low historic-to-expected ratio, the Central Bank will discuss that scenario with impacted firms. In circumstances where contributions are required from firms to cover a shortfall the Central Bank has limited ability to delay payments beyond what is currently allowed for under the DGS Directive.

Another respondent requested clarity as to how future contribution requirements will reflect firms' underlying risk characteristics over time. Member contributions may fluctuate as their associated risk indicators change over time. If the value of a firm's risk indicator improves / deteriorates over time, this may have the effect of decreasing / increasing a firm's DGS Fund contribution, if a shortfall exists. The exact impact depends on whether the indicator change moves the institution's individual risk score into a less risky / riskier bucket. Please refer to the Risk-based Contributions Guidance Document (see footnote 2, page 7) which is also available on the Central Bank's website for further details as to the calculation of the aggregate risk weights.

6 Other Matters

Historic Contributions

The Central Bank will be issuing correspondence to all firms in scope of the DGS to confirm their historic contribution figures or stock figures. As detailed in the CP167, any credit union that has been subject to a Transfer of Engagement (ToE) will have historic contributions (pre-ToE) to the DGS included in their stock figures.

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Coverage Level

One respondent noted that the DGS coverage level of €100,000 should be reviewed in light of a similar review carried out in the United Kingdom[4]. It should be noted that the coverage level of EU DGSs is set out in the EU Deposit Guarantee Scheme Directive and cannot be determined unilaterally by individual Member States.

In December 2023, the EBA sent a report[5] to the European Commission after reviewing the €100,000 deposit insurance limit. The EBA found that raising this coverage level would do very little to improve overall financial stability or protect savers. Furthermore, member firms' should be aware that a higher limit would require them to pay more money into the Deposit Guarantee Scheme (DGS) fund.

7 Conclusion

On the basis of the broad support received for the move from a flow-based methodology to a stock-based methodology the Central Bank now intends to apply this methodology in Q3 2026.

The Central Bank will engage with member firms in the coming weeks to confirm their stock levels in advance of the stock-based methodology being applied to covered deposit data received for Q2 2026 in August.

Should there be a shortfall in the available financial means of the DGS Fund at that stage that requires contributions to be raised, the Central Bank will endeavour to contact firms bi-laterally so they are aware of any significant contribution requests.

[4] Bank of England: PS24/25 – Depositor protection
[5] EBA/Rep/2023/39: Report on Deposit Coverage in response to European Commission's call for advice – December 2023

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Appendix 1 – Worked Example

Simplified Stock-based DGS Scheme Example

Firm	Latest Covered Deposits	ARW	Expected Contributions = 0.8% * CD * ARW	Historic Contributions	Historic-to-Expected Ratio	Contributions @ 8k Shortfall	H-to-E Ratio after Contribution	Contributions @ 12k Shortfall	H-to-E Ratio after Contribution
						Shortfall	**8,000**	Shortfall	**12,000**
						Adjustment Coefficient (μ)	**88.3%**	Adjustment Coefficient (μ)	**90.9%**
Firm1	5,000,000	100%	40,000	40,000	100%	0	100.0%	0	100.0%
Firm2	10,000,000	120%	96,000	76,800	80%	8,000	**88.3%**	10,447	**90.9%**
Firm3	15,000,000	90%	108,000	118,800	110%	0	110.0%	0	110.0%
Firm4	20,000,000	110%	176,000	158,400	90%	0	90.0%	1,553	**90.9%**
Total						**8,000**		**12,000**	

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