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Re: Response to Consultation Paper CP61

Pershing Securities International Limited ('PSIL') is a subsidiary of Pershing LLC, and ultimately owned by The Bank of New York Mellon ('BNY Mellon'). PSIL is an investment firm authorised under MiFID (Ref: C31371) to provide Investment and Ancillary Services.

PSIL welcomes the publication of the Consultation Paper and the opportunity to comment to the Central Bank of Ireland ("CBI") on same. PSIL broadly agrees with the approach under the CP and does not disagree with the cost allocation methodology. It makes financial sense to levy a regulated firm based largely on the cost of regulating that same firm. However, we are extremely concerned that the approach ignores stark differences between firms of a similar PRISM rating and Industry category and have framed our comments in response to question 8.2.

Question 8.2: – Do you agree with the Central Bank's proposal to allocate the cost of financial regulation activity on a basis consistent with the allocation of supervisory resources to regulated entities? If not, what cost allocation methodology would you propose?

Whereas we agree that the Impact Based Approach should form the basis for the calculation of a firm's levy, to calculate a firm's levy solely on its PRISM rating/Industry category 'group' is overly-simplistic and fundamentally inequitable. To do so implies that all firms within a group are equal and require equal supervisory attention. We would question this implication and instead propose that firms are *graded or sorted into bands* within each group. This separation would address the differences between firms within a group, and remain true to the overall methodology.

There are a number ways to differentiate between firms. One solution may be to merge the new method of calculation with the previous method and grade firms by turnover however, this would mean a firm's levy would change each year making budgeting difficult for both the firm and the CBI. But this may be the most suitable approach within certain firm types.

Another approach would be to band firms by the complexity of their authorisation. For example, firms who were authorised to provide multiple complex investment services (MiFID & non-MiFID) in a range of financial instruments to retail and institutional customers would attract a larger levy than firms authorised to provide basic "vanilla" services in a small number of non-complex, low risk instruments to institutional only clients. This method remains true to



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the risk-based approach as the former would require greater supervisory resources than the latter although both may be in the levy same group.

PSIL's industry category is Member of the Irish Stock Exchange, yet it is the only "Settlement Only" member and the complexity of services offered by PSIL is dwarfed by the offerings of other firms in the category i.e. Stockbrokers. PSIL does not trade on an agency or principal basis, does not take positions, provide investment advice or portfolio management services. PSIL is well capitalised and is risk-averse, yet, the proposed methodology asserts PSIL should suffer the same levy as a firm providing all of these higher risk services. We contend this unfairly penalises PSIL and, in a multi-national group structure, draws unnecessary negative comment on the cost of providing premium services to the Irish financial services industry.

We do not see how the proposed PRISM rating/Industry category grouping *without* grading or bands within a group is in keeping with the risk-based approach or equitable.

We are happy to discuss the above in further detail at your convenience.

Yours sincerely



Alan Melia
Compliance Manager and MLRO