

Our Ref William Fry submission  
 Your Ref CP 61

22 February 2013

Levy Consultation CP61  
 Industry Funding  
 Financial Control Division  
 Central Bank of Ireland  
 PO Box 9708  
 Dame Street  
 Dublin 2

[levyconsultation@centralbank.ie](mailto:levyconsultation@centralbank.ie)

## CP61: CONSULTATION ON IMPACT BASED LEVIES AND OTHER LEVY RELATED MATTERS

Dear Sirs

We are pleased to participate in the public consultation process relating to "CP61: *Consultation on Impact Based Levies and Other Levy Related Matters*" ("the Paper"). Our submission set out herein is limited exclusively to a consideration of the Central Bank's proposal to introduce application fees for firms seeking authorisation in respect of the provision of financial services (as is more particularly described at Section 7.1 of the Paper).

At Section 7.1 of the Paper, we note the Central Bank's conclusion that the cost of its resources devoted to the consideration and processing of applications for authorisation should be borne by the applicants for authorisation, rather than by currently authorised entities.

With respect, we would submit that the Central Bank's proposal to introduce application fees for authorisation, or any variant thereof, is not to be welcomed, particularly at this time of Ireland's continued economic recovery.

The Central Bank notes in the second paragraph of Section 7.1 that it must devote resources on an on-going basis to the consideration of applications for authorisation, however, when new applicants become authorised they will become subject to periodic (annual) levies. Therefore, it is in the interests of all authorised entities that are already paying levies to see an increase in the number of authorised entities that are subject to those levies (as well as being in their interest to see an increase in the level of activity conducted within authorised entities). Most of the existing authorised entities did not have to pay an application for authorisation fee (or if they did, it was quite a modest fee). Therefore, they are not being unfairly treated by the current system.

The Central Bank also makes the point in the fourth paragraph of Section 7.1 that imposing an application fee might also be considered to deter applications from those entities who are not seriously interested in establishing in Ireland and those who are not fully satisfied that they can meet the requirements for authorisation. While in the

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\*M. Phelan

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past this may have been an issue, we do not believe that entities currently (or in the future will) submit 'non-serious' applications to the Central Bank for the following reasons:

- i. There are already costs associated with preparing an application for authorisation both in terms of management time and professional fees. Why would entities incur such costs unless they felt that they had at least a reasonable chance of pursuing a successful application?;
- and
- ii. Such entities may have to disclose in subsequent regulatory applications either the fact that they submitted and withdrew an application or that they were declined authorisation. This creates a regulatory risk for such entities in subsequent applications which they would not incur lightly.

For those reasons we would argue that such 'non-serious' applications will not be a behaviour pattern of such prevalence as to warrant the introduction of application fees for authorisation.

We are also of the opinion that the introduction of such fees may have an undesired consequence by deterring applicants from identifying Ireland as their preferred location within the European Union, or even globally, to seek to establish a regulated financial service entity or investment fund. When compared with Ireland, some of our larger European neighbours (e.g. France, Germany and the United Kingdom) offer substantially larger domestic markets and have a more sophisticated infrastructure. For Ireland to remain competitive with such larger jurisdictions as well as other smaller jurisdictions such as Luxembourg and Malta (in the context of investment funds and insurance in particular) in attracting applicants for authorisation as financial service entities, it would seem to us axiomatic that the Central Bank should, particularly at this time of economic recovery, avoid introducing any potential impediment to sustained competitiveness.

We would refer, in particular, to An Taoiseach's 'Strategy for the International Financial Services Industry in Ireland 2011 – 2016' (the "Strategy"). As the Central Bank will be aware, the Strategy highlights the particular goals of protecting employment, economic activity and ensuring that Ireland's international financial services sector continues to grow and prosper. The Strategy notes that the IFSC remains critical as an employer and as a centre of economic activity by employing circa 33,000 people directly and many more people indirectly. The overriding target of the Strategy is to create more than 10,000 net new jobs in this sector. By introducing application fees for authorisation, this would seem to us to run contrary to creating a 'business friendly' environment for growing the international financial service industry as espoused by the Strategy.

Since its inception in 1987, the IFSC has been an overwhelming success story in the Irish economy and it has developed into one of the world's leading financial centres. Given Ireland's size, it is a testament to the IFSC's success that it hosts, in particular, so many of the world's top banks and insurance companies as well as becoming one of the leading hedge fund service centres in Europe. Before the IFSC was established in 1987, the Government of the day had identified the growth potential of the international financial services sector. Over 25 years later, it can be seen from the Strategy that the present day Government shares the very same view.

To conclude, we consider that the Central Bank's current practice of not charging fees in respect of applications for authorisation should be maintained for reasons of sustaining Ireland's competitiveness in attracting new authorisations, thereby benefiting the Irish economy as whole through much needed job creation as well as benefiting the exchequer through increased corporation and payroll tax intake.



Yours sincerely

  
WILLIAM FRY