



**CHAMBERS**  
**IRELAND**  
IN BUSINESS FOR BUSINESS

**Submission on Funding the Cost of Financial Regulation**

**25<sup>th</sup> September 2015**

## **Introduction**

Chambers Ireland represents the largest network of businesses in the State. With almost 50 Chambers located in every major town and city in the country, we are uniquely positioned to understand the needs of the business community and to represent their views. We welcome the opportunity to feed into this consultation. Our views set out in this submission have been structured in accordance with the areas we feel are most relevant to the needs and interests of the Irish business community.

### **Glidepath to full industry funding must be considered**

We recognise that the burden of providing an appropriately robust regulatory environment has increased significantly over recent years and that this has entailed a significant increase in costs to be borne by the Central Bank of Ireland. We also note that other domestic industry regulators and financial regulatory agencies in comparator countries are 100% industry funded. Nonetheless, we do not believe that a move to full industry funding should be made in 2016.

Although the Irish economy has entered a period of renewed growth, many businesses are facing challenges to their competitiveness via increasing costs. The National Competitiveness Council has cautioned that Ireland must ensure that all domestically controllable costs are minimised to protect the competitiveness of our businesses internationally. Moving to a full industry funded model in 2016 would invariably lead to the increased costs to the financial services industry being passed on to businesses that utilise the services of regulated financial entities. We believe that it would be prudent to postpone any policy moves that cause increases in costs to businesses until such time as the economic recovery has more fully taken hold.

### **Regulatory Costs must not undermine Ireland's Competitiveness**

Any additional costs of regulation being passed on to industry must reflect only those costs that directly relate to the provision of the necessary additional regulatory framework. Legacy costs or disproportionately high staff costs resulting from pension liabilities should not be incorporated. The risk of increased funding, over and above the reasonable costs necessary to provide an appropriate regulatory infrastructure, being sought from industry in order to meet the requirements of pension scheme obligations should be addressed before any funding model is proposed.

We welcome the fact that the consultation document makes reference to Government's IFS2020 strategy and its commitment to grow the financial services sector in Ireland. Given that this strategy will rely heavily on promoting the cost competitiveness of Ireland as a location for financial services and that the timeframe foreseen for this strategy runs until 2020, increases in Irish regulatory costs to the financial services sector will not support this strategy.

## **Conclusion**

Having regard to the points above, we recommend that any move to towards a model of full industry funding of financial regulation should be extended over a period of years in order to contain any potential knock on costs to businesses as consumers of financial services, and to minimise any negative impact on Government's IFS2020 strategy.