Banc Ceannais na hÉireann
Central Bank of Ireland
Eurosystem

2015

Joint Public Consultation Paper

Department of Finance and the Central Bank of Ireland

Funding the Cost of Financial Regulation

Contents

1. Objective

The aim of this consultation is to elicit views on a move from the current approach of partial industry funding of financial regulation towards full industry funding.

2. Introduction

The Central Bank of Ireland's ("the Central Bank") total funding requirement for financial regulation activity is determined on an annual basis by the resources required to discharge its legal responsibilities under domestic and EU law.

Section 32D and 32E of the Central Bank Act 1942, as amended, provide that the Central Bank Commission may make regulations relating to the imposition of levies and fees on the financial services sector in respect of the recoupment of the costs of financial regulation. Regulations made under Section 32D and 32E of the Central Bank Act 1942, or any amendment or revocation of these regulations, do not take effect until approved by the Minister for Finance.

The industry currently funds 50% of the costs incurred by the Central Bank for financial regulation with certain exceptions[1]. This translates into a corresponding reduction in the annual surplus remitted by the Central Bank to the Exchequer. This arrangement was first introduced as part of a phased implementation approach in 2004 after the establishment of the "Single Regulator" in 2003.

The importance of maintaining a competitive financial services sector in Ireland is a key objective of the Department of Finance and aligned with and reflected in the

[1] Exceptions to the 50:50 funding arrangements are as follows:

- Credit Institutions: Credit Institutions which had participated in the Eligible Liabilities Guarantee Scheme 2009 are required to fund 100% of supervisory costs. Where appropriate, individual credit institutions are also required to fully fund costs incurred by the Central Bank in carrying out any external review of the institution.
- Credit Unions: The amount of the levy payable by a credit union is currently capped at 0.01% of their total assets as at 30 September in the previous year. As a result, credit unions currently contribute approximately 8% to the cost of their regulation.
- Securities Market Supervision Costs: The excess of
  - costs incurred by the Central Bank in performing its responsibilities under the Prospectus, Transparency, Market Abuse, Short Selling, Securities Financing Transaction Regulation Directives together with the European Markets Infrastructure Regulation over
  - Transparency fees and Prospectus Approval and related fees

  is currently funded by the Central Bank by way of subvention.

Government's IFS2020 Strategy[2] which was published recently, and consequently the competitiveness of the Irish financial services sector is an important consideration in the context of this consultation process.

Competitiveness is relevant to the market as a whole as much as it is to each sector and, ultimately, to each entity providing financial services under the supervision of the Central Bank. Accordingly, it must be noted that any impact on competiveness may vary from one industry sector to another depending on many factors including, for example, any international aspects of an individual entity's operations. In this regard, the increased funding requirements in Ireland must be considered in the context of the global nature of the Irish financial services sector where revenue is generated not solely from the domestic market but also internationally.

The financial services sector in Ireland has experienced a period of unprecedented regulatory challenge and change since the economic crisis of 2008. Both the Central Bank[3] and industry have responded to the proliferation of legislative regulation by increasing the level of resources devoted to regulatory and compliance matters resulting in an increase in costs. In particular, the Central Bank's increased regulatory costs reflect the move away from a principles based regulatory approach to the current risk-based framework. Costs in the period since the crisis have accordingly risen from a lower base of €60.2m in 2009 to €139m in 2014 in order to fulfil the mandate of protecting consumers and safeguarding stability. Examples of emerging obligations which will give rise to further cost challenges faced by the Central Bank include:

- Securities and Funds: the increase in EU mandated regulations will require the Central Bank to further increase its supervisory resources to address the new requirements in this area.
- Insurance Undertakings: in 2015, the Central Bank will consider approving the use of internal models by insurance companies to calculate their

[2] IFS2020 A Strategy for Ireland's International Financial Services Sector 2015-2020

[3] Under accountability provisions to which the Central Bank is subject to, there is a requirement for the Central Bank to make appropriate arrangements for an international peer review of the performance of its regulatory functions at least every 4 years and for such a review to be published in its performance statements. (Section 32M of the Central Bank Act, 1942.)

capital requirements under Solvency II, which comes into effect on 1 January 2016.

As well as the impact on the financial services sector and across individual firms, this consultation process will also have due regard to any fiscal impact and the potential impact on consumers of a move to a full funding arrangement. In this regard, it is again important to reflect on the international nature of the Irish financial services sector. Whereas the Irish taxpayer currently subsidises the cost of financial regulation, the consumers of these services are located both here and abroad.

It is important for all stakeholders to participate in this consultation process to ensure that the outcome of this review of funding arrangements is shaped on the widest possible range of views and opinions. We are seeking views on the following:

1. Any change from the current funding arrangement would have to have due regard for the competitiveness of the industry. Do you consider that there are any particular competitiveness issues to be taken into consideration in revising the funding approach? Please state clearly your reasons for any such issues, their quantification and suggestions on how they may be addressed.

2. Any change from the current funding arrangement would have to have due regard to consumers and tax payers. Do you consider that there are any particular consumer or tax payer issues to be taken into consideration in revising the funding approach? Please state clearly your reasons for any such issues and suggestions on how they may be addressed.

3. The Case for Full Industry Funding

A robust regulatory environment benefits the financial services industry by promoting stability, a level playing field and facilitating prudent development and innovation. A well regulated financial services sector benefits both consumers and industry, and the economy at large. There have been a number of regulatory reforms in recent years which have resulted in an increase in regulatory activity by the Central Bank. These reforms have now brought our regulatory system into line with international best practice. We now have a system of robust regulation, with assertive risk-based supervision underpinned by a credible threat of enforcement.

At present, the taxpayer is funding a significant proportion of the cost of financial regulation activity. Full funding by industry would eliminate the need for the Central Bank to provide an annual subvention. This would increase the reserves retained by the Central Bank which in turn would have a positive impact on Exchequer funds. By way of example, it is estimated that €67 million of the Central Bank's 2015 surplus income will be redirected, to make up for the shortfall between the costs of regulation and the funding received from industry.

The current funding arrangement highlights a number of anomalies on an individual sector basis. The Central Bank recovers its full supervisory costs in respect of the Irish institutions which participated in the Credit Institutions Eligible Liabilities Guarantee Scheme 2009 (AIB, Bank of Ireland and Permanent TSB) while all other credit institutions and industry sectors contribute only half of the costs of regulation (with certain exceptions which are outlined in footnote 1). The Single Supervisory Mechanism ("SSM") which commenced on 4 November 2014 will fund 100% of its budgeted costs annually from those credit institutions that it directly and indirectly supervises. These levies will be in addition to the levies which will continue to be payable by the banks to the Central Bank and the other national competent authorities in Europe.

In relation to individual sectors such as the securities and funds industry, resource requirements associated with the increase in EU mandated regulation has placed additional demands on the current funding arrangements. This is also seen in the insurance industry where the Central Bank will be required to allocate additional regulatory resources in fulfilling its mandate as the competent authority under Solvency II.

As set out in the Domestic Comparison section of this paper, in Ireland, the general approach adopted by regulators in other sectors is that industry fully funds the cost of regulation (e.g. the Commission for Energy Regulation, the Commission for Communication Regulation). The dominant position internationally is that industry funds the cost of financial regulation and this is elaborated in the International Comparison section of this paper. However, a move to full funding will be considered in light of the Government's commitment to grow and develop the financial services sector. This was recently highlighted by the Government in the IFS2020 Strategy where it has committed to the creation of at least 10,000 net new jobs in the international financial services sector by the year 2020.

It is prudent to elicit views on a move to 100% funding of the cost of financial regulation and its potential introduction in 2016, not only because of pressure on public finances but also from a transparency point of view, i.e. charging financial service providers directly for the full cost of their supervision rather than, in effect, the general public paying for approximately 50% of such costs.

We are seeking views on the following:

3. Do you consider it appropriate for taxpayers to continue to fund a significant proportion of the cost of financial regulation activity? If you disagree, what would you propose instead?

4. Do you consider it appropriate that industry be required to fully fund the cost of financial regulation activity? If you disagree, what would you propose instead?

5. Do you consider it appropriate that a move to full funding should commence in 2016? If you disagree, what would you propose instead?

6. Do you consider it appropriate that a move to full funding should take place in a single step in 2016? If you disagree, what would you propose instead?

4. The Current Regulatory Cost Model

At present the Central Bank seeks to raise, with certain exceptions (outlined in footnote 1 above) 50% of the portion of the cost of the Central Bank's financial regulation activities directly from those financial service providers subject to regulation by the Central Bank.

Following a Central Bank consultation process, in 2013, a revised approach to the levy calculation process designed to more closely align the levies with the allocation of supervision resources was introduced[4]. Under this approach the amount of the levy payable by a regulated entity is determined with reference to:

- Its industry funding category and
- Its impact categorisation under PRISM[5].

Industry funding category is a function of the authorisation that the regulated entity holds. PRISM enables firms to be categorised based on impact so that supervisors can guard against the potential failure of those firms which pose the highest potential impact. A firm's impact category (Ultra High, High, Medium High, Medium Low or Low) is a reflection of the potential scale of harm (prudential, reputational or consumer related) that could arise from the failure of the firm. It is not a measure of the likelihood of failure. In a PRISM context, a given firm's impact is approximated by impact scores which are calculated by combining impact metric data.

Under PRISM, the most significant firms, those with the potential to have the greatest impact on financial stability and the consumer, receive the highest level of supervision. Conversely, those firms which have the lowest potential adverse impact are subject to the least level of supervision.

[4] It must be noted that credit unions are an exception to this revised approach. The amount of the levy payable by a credit union is currently capped at 0.01% of their total assets as at 30 September in the previous year.

[5] **PRISM** *(***P***robability* **R***isk and* **I***mpact* **S***yste***M***)* is the name given to the framework that the Central Bank has developed to apply risk based supervision. Under this approach the Central Bank seeks to deliver the greatest value by focussing its regulatory activities on those firms whose failure would pose the greatest threat to financial stability or consumers were they to fail.

Cost Allocation Process

The annual budget for financial regulation reflects a number of elements as shown below:

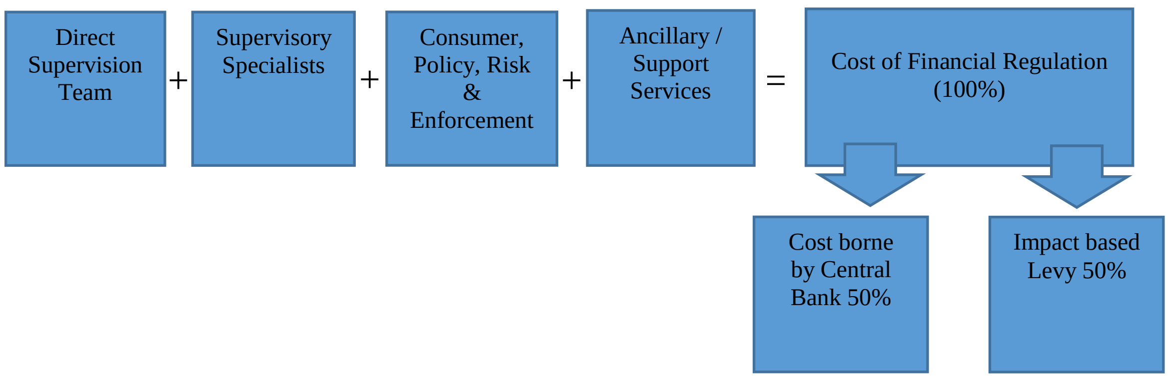

Chart 4.1

The annual budget mix for financial regulation which underpins these activities is as follows:

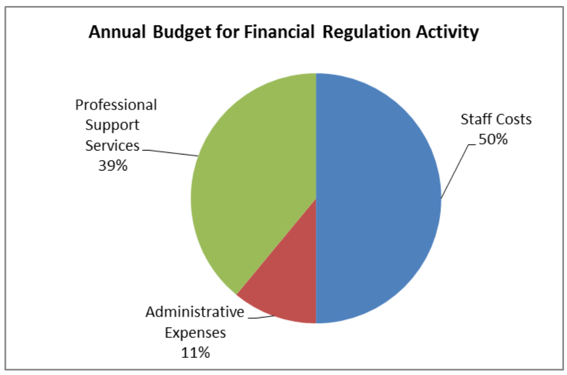

Chart 4.2

Chart 4.2 shows that Staff Costs are a key driver of the costs of financial regulation.

5. The Future Cost of Financial Regulation

The regulatory environment has been subject to significant changes over recent years. This has led to a significant increase in regulatory resources applied to regulation across most jurisdictions. Costs have varied from sector to sector and in the absence of a clear trend, it is difficult to predict with a high degree of certainty how supervisory costs will change in the next 2 / 3 years. A 'look back' at the past 3 years illustrates how costs have fluctuated driven by, for instance, exceptional costs such as the stress tests and comprehensive assessments in the banking sector. In the future, we expect the regulatory environment to be subject to further change and development as it continually adapts to changes in the financial sector. This adds a level of inherent uncertainty to forecasting future costs. Emerging regulatory initiatives and new / enhanced statutory obligations will continue to impact on supervisory costs. For example the introduction of Solvency II will impact insurance supervision costs and MiFID II will influence the investment and stockbroking sectors.

Summary of Central Bank levies

Chart 5.1 below sets out the amounts raised from industry (net annual funding requirement or nAFR[6]) in respect of the 5 years from 2010 to 2014 and compares this with the amount that would have been raised from industry in 2014 based on:

- 100 per cent of the budgeted cost of financial regulation (€133 million) after adjustment for the remaining 50 per cent of the cost of regulating the credit union sector (€7 million) that the Central Bank is not seeking to recover from this sector ; and
- ignoring any adjustment in respect of amounts under/over recovered from industry in 2013.

[6] Gross AFR represents the proportion of the budget for financial regulation activity to be recouped from the sector; nAFR represents the gross AFR after adjustment for the surplus/deficit in the amount recovered from the sector in the prior year.

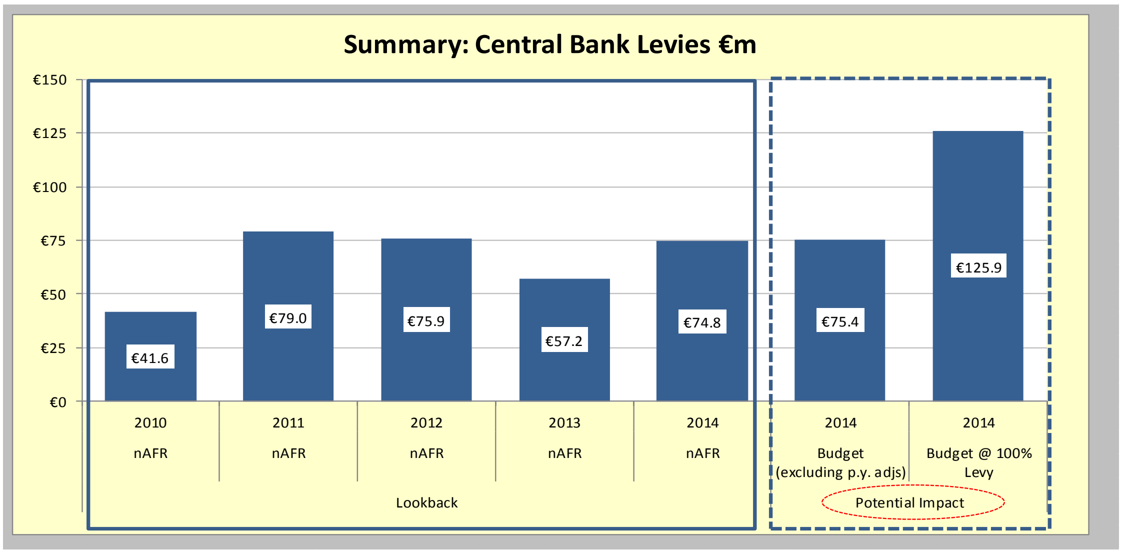

Chart 5.1

2014 Levy by Industry Funding Category

Chart 5.2 highlights, in descending order, the levies payable in 2014 on an "as is" basis. The green bars then show the potential levy increases for all sectors, except the Credit Union sector, in a move to a 100% cost recovery model. In the case of the Credit Union sector, the chart reflects a move to 50% funding by industry.

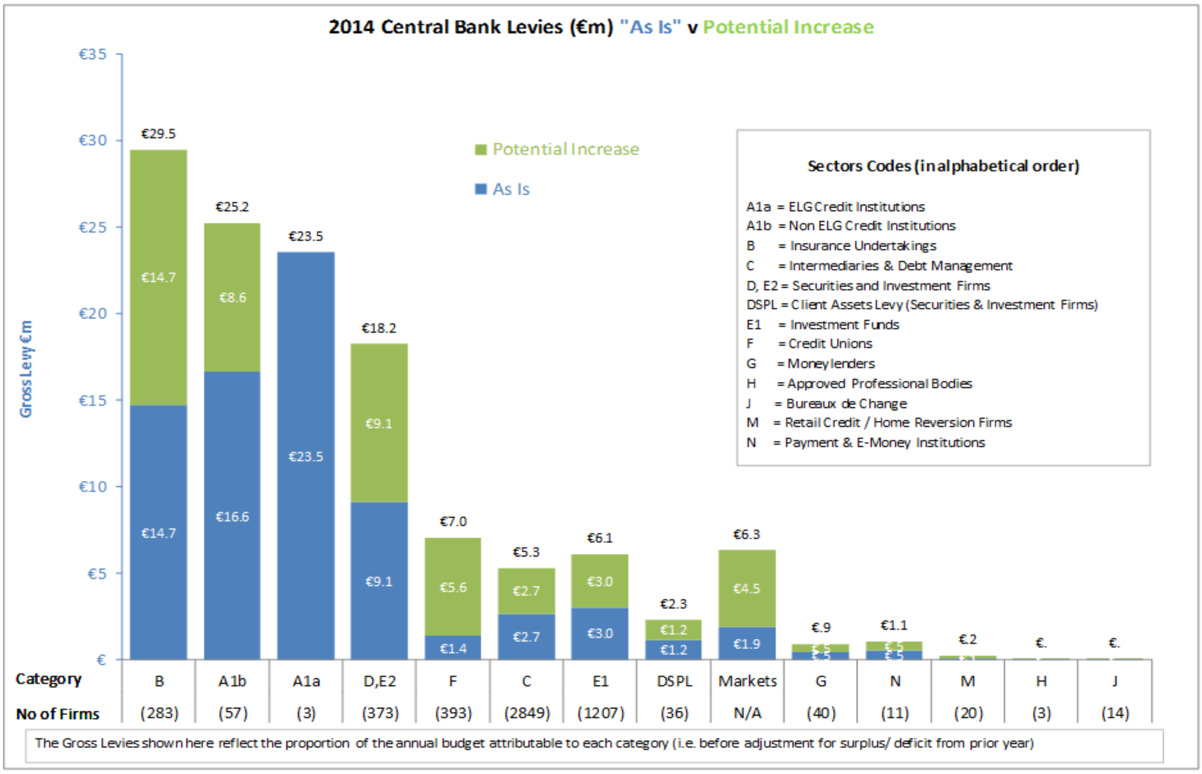

Chart 5.2

The chart clearly shows that those institutions that participated in the Credit Institutions (Eligible Liabilities Guarantee Scheme) 2009 would not be impacted by the introduction of full cost recovery since they already contribute 100% of the cost of regulation equating to 0.42% of the sector’s total income. The green shaded bars in this chart clearly show that insurance undertakings, investment firms and those banks which did not participate in the Credit Institutions (Eligible Liabilities Guarantee Scheme) 2009 would, in a full cost recovery environment, have contributed an additional €14.7 million, €9.1 million and €8.6million respectively and which in total, would equate to 0.04%, 0.21% and 0.62% of total income in those sectors respectively.

For the credit union sector (category F), the chart above illustrates the outcome of what a move to 50% cost recovery by industry would look like. As outlined in the Appendix (section 16) of this consultation paper, the Central Bank has already stated publicly that it intends to seek the phasing in, commencing in 2016, of a move to 50% funding of the cost of regulating the sector over a 5 year period by gradually increasing the cap upwards from .01% of total assets.

The impact of the changes outlined above at industry funding category level together with the pipeline of European and Domestic Regulatory changes impacting on each sector is set out in the appendix to this consultation paper on a category by category basis.

We are seeking views on the following:

7. Do you consider it appropriate that any revision in the proportion of funding provided by industry should continue to apply uniformly across all industry funding categories? If you disagree, what would you propose instead?

8. Do you consider that there are any particular industry funding categories which warrant a derogation or alternative funding approach? Please state clearly your reasons for such a view.

9. Are there any other considerations that you think should be taken into account in seeking to come to a decision on a move to full industry funding? If so, what are they?

6. International Comparison

Introduction

Financial regulatory agencies are not by their nature income generators and historically the service provided by regulatory agencies has been supported by central exchequer resources. However, within the international community of financial regulatory agencies, there is an increasing trend to require the regulated industry participants to finance the full costs incurred by their regulators in the performance of their regulatory functions.

Internationally, the concept that the cost of regulation should be borne by the regulated entities is becoming the norm, as is the consideration that regulatory agencies should have their own independent source of revenue, removed from the general budget process.

International organisations such as the Bank for International Settlements (“BIS”), the International Organisation of Securities Commissions (“IOSCO”) and the International Credit Union Regulators Network (“ICURN”) all reference the manner of financing of regulatory agencies. Most recently, the Single Supervisory Mechanism of the ECB (“SSM”) outlined its plans in relation to securing its financial independence via the levying of supervised credit institutions.

Comparative Jurisdictions

While the practice of industry funding has become the norm in many jurisdictions both within the EU and beyond, the level of information and detail each financial regulatory agency publishes on funding arrangements varies. Furthermore, just as each jurisdiction’s supervisory approach is different so too is the funding model it adopts. The individuality of each jurisdiction’s funding model makes it difficult to provide absolute comparisons. However in the main, internationally, the overall level of funding is derived from determining the agency’s revenue requirements to fund the cost of financial regulation/supervision for a fiscal year and then

distributing this through a levy to participants by industry sectors to ensure that the necessary revenue is generated. The mechanism for distributing an agency’s revenue requirements also generally follows either a direct/fixed levy approach or a formulaic approach that creates sub-sectors with varying bands of levy.

Direct cross-jurisdictional funding comparisons are difficult to collate but there are broad categories which can provide a reference to how other jurisdictions fund their regulatory agencies. Critical to this analysis is identifying appropriate comparator jurisdictions. For the purpose of comparison, the funding mechanisms of the following two comparative EU jurisdictions and one international comparator were examined; all three are fully funded by industry:

- Luxembourg;
- United Kingdom; and
- Australia.

In 2004 when the Central Bank first introduced industry funding regulations, the most comparable jurisdiction identified was the United Kingdom ("the UK"). It is reasonable to argue that this continues to be the case given Ireland's geographic location, institution types, comparable legal systems and membership of the EU. Please note that the UK regulatory authority now consists of the Bank of England Prudential Regulatory Authority ("the PRA") and the Financial Conduct Authority ("the FCA").

Within the EU, Luxembourg is considered another suitable comparative jurisdiction. There are many sectoral similarities in the nature of financial services for which both Ireland and Luxembourg have developed strong international reputations.

Finally, looking beyond the EU, the Australian Prudential Regulatory Authority ("the APRA") is an agency with a similar mandate to the Irish regulator and, with a practice of publishing annually in relation to its industry funding, it provides a useful international comparator.

In each of the three comparative jurisdictions the relevant supervised industries are required to fully fund the cost of regulation and supervision incurred by the regulatory agency. However it should be noted that in calculating costs some jurisdictions, including the UK, have the option to recover enforcement costs from enforcement fines. In Ireland all such fines are returned to the Exchequer gross. In addition many other jurisdictions have established application fee practices which serve to reduce the regulatory authority's costs. While the Central Bank does charge fees in some sectors the legislation does not currently provide for this across all sectors. The following aspects of the levying process are found to be common with the Irish process:

Regulator	Ireland	Australia	United kingdom	Luxembourg
Annual Consultation Process	x	✓	✓	x
Annual Policy/Regulations on Industry Funding	✓	✓	✓	x
Annual Funding Requirement/Budget	✓	✓	✓	x
Sectors and sub-sectors identified for levy purposes	✓	✓	✓	✓
Full funding	x	✓	✓	✓

Table 6.1

Moreover, a review of other EU jurisdictions, in addition to the UK and Luxembourg, highlights that there are jurisdictions that are not fully funded by the regulated industry participants to finance the regulatory costs.

For example, in Austria, the Financial Market Authority ("the FMA") receives a federal contribution of €3.5m each year (as stipulated in article 19, paragraph 4 of the Financial Market Authority Act). The remainder of the FMA's costs are reimbursed from the entities that are supervised by the FMA. Similarly, in Finland, the Bank of Finland makes a contribution of 5% of the expenses of the Finish Financial Supervisory Authority each year.

7. Domestic Comparison

There is a considerable number of regulatory bodies in Ireland with varying degrees of authority, scope and independence. These regulatory bodies could be classified in any number of ways including by governance type, funding, size, accountability etc. As part of the review of the cost of financial regulation, it would be useful to consider the funding model in other Irish regulatory bodies. While there are exceptions, the general approach adopted by regulators in other sectors in Ireland is that industry fully funds the cost of regulation. By way of illustration, Table 7.1 summarises the approach adopted by four Irish regulatory bodies.

Body	Function / Role	Industry Funded	Taxpayer Funded	Additional Information
Commission for Energy Regulation	The CER is Ireland's independent energy and water regulator. Its functions cover a wide range of economic, customer protection and safety responsibilities in the energy sector, as well as being the economic regulator of the Irish public water and wastewater sector.	100%	0%	The CER is generally 100% funded primarily through levies and licence fees on electricity, gas, petroleum (including petroleum safety case fees), and water services.
Commission for Communication Regulation	ComReg is the statutory body responsible for the independent regulation of the electronic communications and postal sectors. It also manages radio spectrum, as a State resource. Its functions include protecting and informing consumers, promoting competition, encouraging innovation and efficient use of radio spectrum.	100%	0%	ComReg is funded by levies collected from electronic communications services providers and postal services providers and from radio spectrum licence fees. An operating surplus is derived in the main from radio spectrum licence fees.
Financial Services Ombudsman	The FSO is independent in the performance of his statutory functions. The FSO was set up to investigate, mediate and adjudicate complaints about the conduct of regulated financial service providers.	100%	0%	Investigations by the FSO are free of charge to the consumer. The FSO Council determine the levies and charges payable for the performance of services provided by the FSO. The Council may prescribe different levies or fees to be paid by specified classes of financial service providers.
Competition and Consumer Protection Commission	The CCPC has a duel mandate to enforce competition and consumer protection law and aims to protect and strengthen competition, empower consumers to make informed decisions and protect consumers from harmful business practices.	The financial information and education functions are 100% industry funded.	All other functions are 100% Exchequer funded.	The CCPC was established on 31 October 2014 through the amalgamation of the Competition Authority and the National Consumer Agency as provided for in the Competition and Consumer Protection Act 2014.

Table 7.1

8. Consultation Questions

The cost of financial regulation activity must be borne by industry, the taxpayer (via a reduced dividend from the Central Bank to the Department of Finance) or some combination thereof. We wish to receive the views of interested parties on all aspects of a move to fully funding the cost of financial regulation from industry, including in particular responses to the following questions:

1. Any change from the current funding arrangement would have to have due regard for the competitiveness of the industry. Do you consider that there are any particular competitiveness issues to be taken into consideration in revising the funding approach? Please state clearly your reasons for any such issues, their quantification and suggestions on how they may be addressed.

2. Any change from the current funding arrangement would have to have due regard to consumers and tax payers. Do you consider that there are any particular consumer or tax payer issues to be taken into consideration in revising the funding approach? Please state clearly your reasons for any such issues and suggestions on how they may be addressed.

3. Do you consider it appropriate for taxpayers to continue to fund a significant proportion of the cost of financial regulation activity? If you disagree, what would you propose instead?

4. Do you consider it appropriate that industry be required to fully fund the cost of financial regulation activity? If you disagree, what would you propose instead?

5. Do you consider it appropriate that a move to full funding should commence in 2016? If you disagree, what would you propose instead?

6. Do you consider it appropriate that a move to full funding should take place in a single step in 2016? If you disagree, what would you propose instead?

7. Do you consider it appropriate that any revision in the proportion of funding provided by industry should continue to apply uniformly across all industry funding categories? If you disagree, what would you propose instead?

8. Do you consider that there are any particular industry funding categories which warrant a derogation or alternative funding approach? Please state clearly your reasons for such a view.

9. Are there any other considerations that you think should be taken into account in seeking to come to a decision on a move to full industry funding? If so, what are they?

9. The Consultation Process

Consultation Period

This public consultation process will run from **3 July 2015 to 25 September 2015**, a period of 12 weeks. Any submissions received after this date may not be considered.

How to Respond

The preferred means of response is by email to **funding@finance.gov.ie** .

Alternatively, you may respond by post to:

Funding the Cost of Financial Regulation – Public Consultation
Financial Services Division
Department of Finance
Government Buildings
Upper Merrion Street
Dublin 2

Please include contact details if you are responding by post.

Freedom of Information

Responses to this consultation are subject to the provisions of the Freedom of Information Acts. The Department of Finance and Central Bank of Ireland may receive requests for any or all information supplied as part of this process. Any information which would be considered commercially sensitive should be highlighted as appropriate. Parties should also note that responses to the consultation may be published on the website of the Department of Finance and the Central Bank.

Meetings with key stakeholders

The Department of Finance may also invite key stakeholders to meet with them, including representative bodies and other interested groups or individuals.

Appendix

10. ELG Credit Institutions[7] (A1a)

Table 10.1 below sets out the 2014 impact based levies payable by each institution in this category based on its impact rating. The chart in Section 5 (2014 Levy by Industry Funding Category) sets out the relative importance of this category as compared with all other categories.

Impact Based Levy	Ultra High €
2014 Actual Levy	4,514,457
2014 Levy - Full recovery; no surplus/deficit	4,666,305

Table 10.1

Chart 10.1 below provides a 5 year 'look-back' and estimates the impact of 100% cost recovery based on Budget 2014 figures.

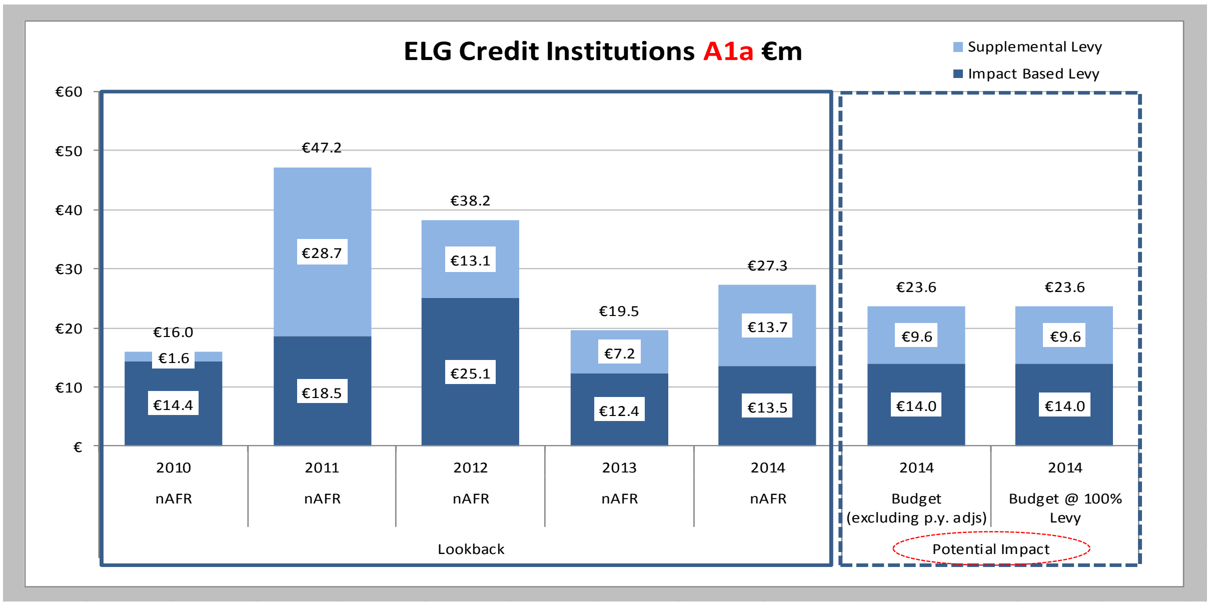

Chart 10.1

Note 1: *Gross AFR represents the proportion of the budget for financial regulation activity to be recouped from the sector; nAFR represents the gross AFR after adjustment for the surplus/deficit in the amount recovered from the sector in the prior year.*

Note 2: *Supplemental levies in the chart above represent the additional levies for the years shown. Supplemental levies derive from exceptional costs. These levies directly reflect specific activities attributable to particular institutions. Examples include Prudential Capital and Liquidity Assessment Reviews (2011), Balance Sheet Assessment (2013), ECB Comprehensive Assessment (2014).*

[7] Irish authorised Credit Institutions which were admitted to the Eligible Liabilities Guarantee Scheme, 2009 (AIB, Bank of Ireland, Permanent TSB)

Regulatory Landscape

The introduction of the Single Supervisory Mechanism ("SSM") has required the Central Bank's banking supervision divisions to transition to the SSM supervisory model and quickly adapt to the SSM methodologies and approach. This transition is evolutionary in nature as the SSM risk based approach is similar to the Central Bank's PRISM supervision framework.

The introduction of the SSM has had the following impacts on bank supervision in Europe. For Significant Institutions, consisting of the larger institutions operating within Ireland, a Joint Supervisory Team ("JST"), led by the ECB and consisting of both ECB and Central Bank supervisors, directly supervise these firms.

	2015	2016	2017
SSM - Evolution of Supervisory Approach	✓	✓	✓
EU Legislation			
• *CRD IV*	✓	✓	✓
• *BRRD*	✓	✓	✓
• *DGS*	✓	✓	
European Banking Authority			
• *Technical standards/Guidelines*	✓	✓	✓

Institutions defined as Less Significant continue to be directly supervised by Central Bank supervision teams with the SSM having an oversight role. Banking supervision has been restructured into three divisions in the Central Bank to ensure effective supervision that is aligned with the SSM objectives and structures. A significant feature of the restructure was the creation of a very clear distinction between off-site and on-site activities as required under SSM. The anticipated developments in the regulatory landscape outlined in the table illustrate a dynamic banking supervision environment into the near future. The primary driver of the cost of bank supervision is the direct staff costs, in particular the number of staff employed within the supervision divisions. Therefore changes in the supervisory engagement approach, which give rise to a change in the number and/or mix of resources required to ensure effective supervision, will impact on the total cost of regulation for the banking sector.

Appendix

11. Non ELG Credit Institutions (A1b)

Table 11.1 below sets out the 2014 impact based levies payable by each institution in this category based on its impact rating. The chart in Section 5 (2014 Levy by Industry Funding Category) sets out the relative importance of this category as compared with all other categories.

Impact Based Levy	High €	Medium High €	Medium Low €	Low €
2014 Actual Levy	1,117,385	255,490	50,790	21,038
2014 Levy - Full recovery; no surplus/deficit	2,390,342	546,552	108,652	45,004

Table 11.1

Chart 11.1 below provides a 5 year 'look-back' and estimates the impact of 100% cost recovery based on Budget 2014 figures.

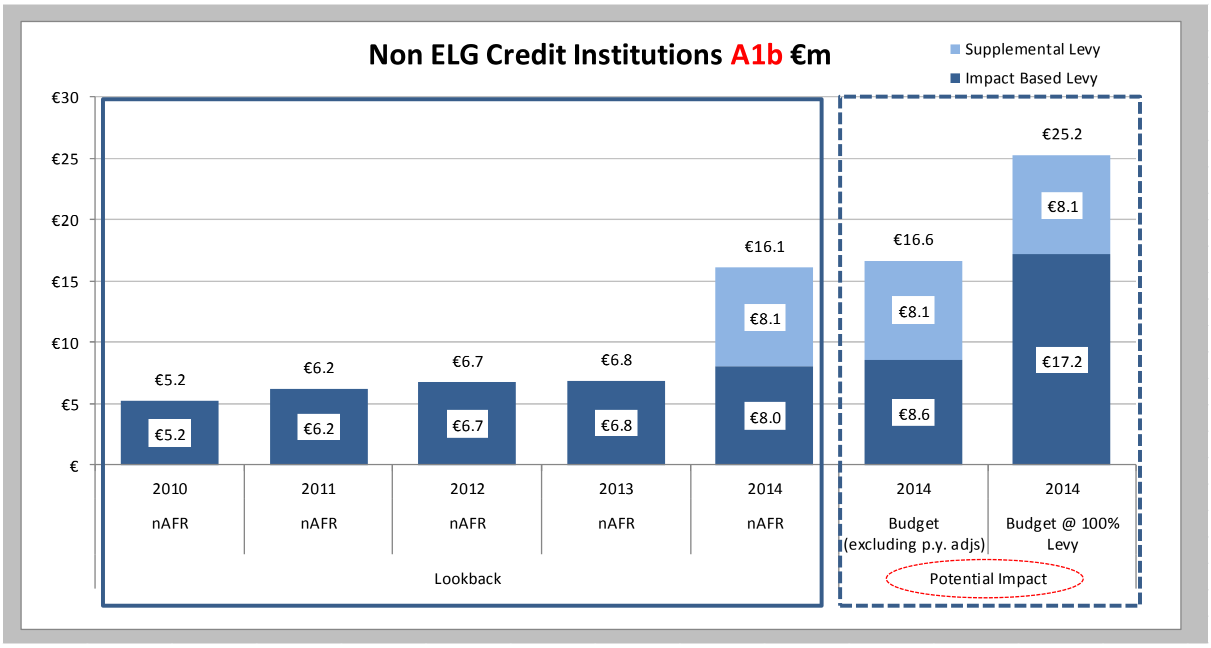

Chart 11.1

Note 1: *Gross AFR represents the proportion of the budget for financial regulation activity to be recouped from the sector; nAFR represents the gross AFR after adjustment for the surplus/deficit in the amount recovered from the sector in the prior year.*

Note 2: *The supplemental levy in 2014 relates to the ECB Comprehensive Assessment.*

Regulatory Landscape

It should be noted that the regulatory landscape set out under the ELG Credit Institutions (A1a) also applies for the Non ELG Credit Institutions (A1b).

Appendix

12. Insurance Undertakings (B)

Table 12.1 below sets out the 2014 impact based levies payable by each institution in this category based on its impact rating. The chart in Section 5 (2014 Levy by Industry Funding Category) sets out the relative importance of this category as compared with all other categories.

Impact Based Levy	Ultra High €	High €	Medium High €	Medium Low €	Low €
2014 Actual Levy	1,242,140	563,621	128,872	25,619	7,485
2014 Levy - Full recovery; no surplus/deficit	3,007,956	1,364,860	312,075	62,039	18,125

Table 12.1

Chart 12.1 below provides a 5 year 'look-back' and estimates the impact of 100% cost recovery based on Budget 2014 figures.

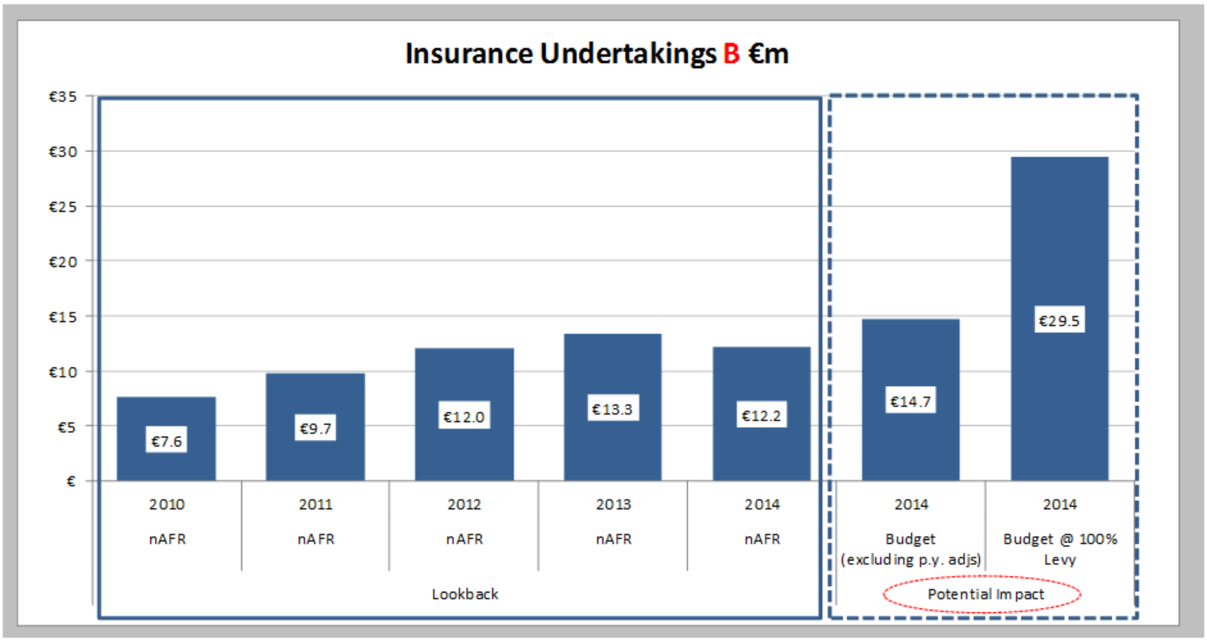

Chart 12.1

Note: *Gross AFR represents the proportion of the budget for financial regulation activity to be recouped from the sector; nAFR represents the gross AFR after adjustment for the surplus/deficit in the amount recovered from the sector in the prior year.*

Regulatory Landscape

	2015	2016
Solvency II - Implementation	✓	✓
EU Legislation		
• *Solvency II Directive*	✓	✓
EIOPA	✓	✓
IAIS	✓	✓
Assess/implement key recommendations that may arise from the IMF Report	✓	✓

Solvency II is a significant change to the regulatory environment for insurance undertakings and represents a more sophisticated system of regulation compared to the existing regime. Insurance regulators will be required to approve capital models from applicant companies and assess more complicated capital charges. Insurance entities will submit much more detailed information more frequently. Supervisory review practices will need to develop continually and evolve with supervisors exercising their judgement in assessing regulated entities. During 2015 the supervisory approach will continue to be risk based supervision underpinned by a credible threat of enforcement – focused on strengthening governance, compliance and risk management within insurance undertakings. In 2015 the Central Bank will assess the longer term supervisory engagement approach and resourcing requirements for regulation and supervision of insurance undertakings. This will be informed by:

- Experiences from 2015 supervisory engagement approach;
- The review carried out by the IMF in 2014;
- Preparation for Solvency II; and
- Developments in the insurance sector.

The driver of the cost of the insurance supervision division will continue to be direct staff costs, in particular the number of staff employed within the supervision division.

Appendix

13. Investment Firms and Fund Service Providers (D, E2)

Table 13.1 below sets out the 2014 impact based levies payable by each institution in this category based on its impact rating. The chart in Section 5 (2014 Levy by Industry Funding Category) sets out the relative importance of this category as compared with all other categories.

Impact Based Levy	Medium High €	Medium Low €	Low €
2014 Actual Levy	197,728	39,307	6,179
2014 Levy - Full recovery; no surplus/deficit	432,395	85,958	13,512

Table 13.1

Chart 13.1 below provides a 5 year 'look-back' and estimates the impact of 100% cost recovery based on Budget 2014 figures.

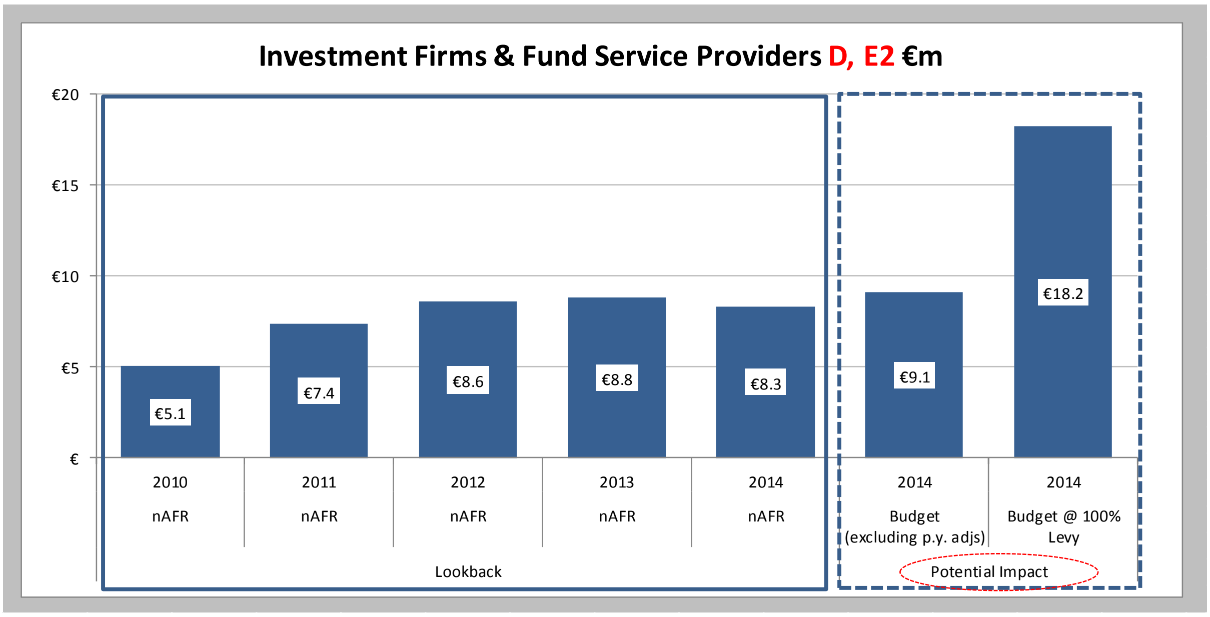

Chart 13.1

Note: *Gross AFR represents the proportion of the budget for financial regulation activity to be recouped from the sector; nAFR represents the gross AFR after adjustment for the surplus/deficit in the amount recovered from the sector in the prior year.*

Regulatory Landscape

	2015	2016
EU Legislation		
• *MiFID II / MiFIR*	✓	✓
• *CRD IV*	✓	✓
• *BRRD*	✓	✓
• *EMIR*	✓	✓
• *EuVECA, EuSEF*	✓	
• *UCITS V; UCITS IV*	✓	✓
• *AIFMD*	✓	✓

This sector incorporates a broad spectrum of MiFID Authorised firms and Fund Service Providers. Within this sector the supervisory engagement model is derived from both domestic and EU legislation and the regulatory horizon is particularly demanding. Changes for MiFID firms with the introduction of MiFID II have been well signalled and are in pre-implementation phase and CRD IV transitional provisions will impact 2015 through 2017. The AIFM supervisory model continues to evolve while UCITS changes continually impact the service providers. New requirements around EuVECA and EUsef will also take effect in 2015.

This sector applies the PRISM framework for supervision with a need for dynamic regulation in light of the extent of future regulatory changes. Regulatory changes which give rise to a change in the number and/or mix of resources required to ensure effective supervision, will impact on the total cost of regulation for this sector.

Appendix

14. Client Asset Supplementary Levy (DSPL)

Table 14.1 below sets out the 2014 impact based levies payable by each institution in this category based on its impact rating. The chart in Section 5 (2014 Levy by Industry Funding Category) sets out the relative importance of this category as compared with all other categories.

Client Asset Based Levy	Medium High €	Medium Low €	Low €
2014 Actual Levy	90,070	17,905	2,275
2014 Levy - Full recovery; no surplus/deficit	180,142	35,810	4,550

Table 14.1

Chart 14.1 below provides a 5 year 'look-back' and estimates the impact of 100% cost recovery based on Budget 2014 figures.

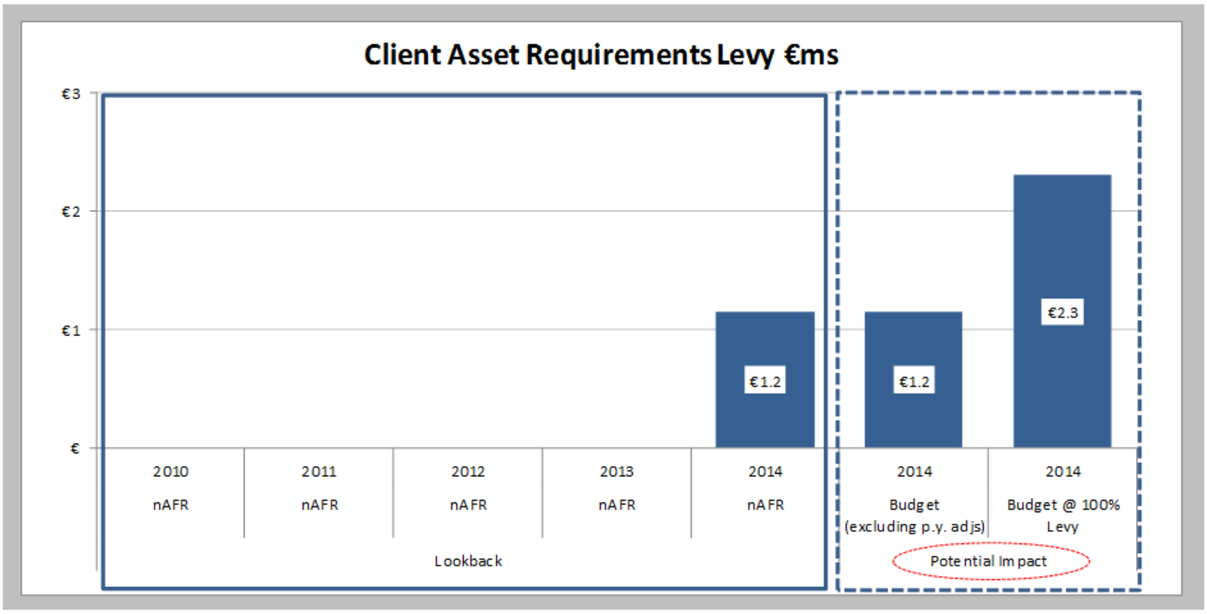

Chart 14.1

Note: *Gross AFR represents the proportion of the budget for financial regulation activity to be recouped from the sector; nAFR represents the gross AFR after adjustment for the surplus/deficit in the amount recovered from the sector in the prior year.*

Regulatory Landscape

	2015	2016
Domestic Legislation		
• *Client Asset/Investor Money Regulations*	✓	✓
• *MiFID II (investment firms)*	✓	✓

In the interest of fairness and equity the cost associated with the monitoring of compliance with the Central Bank's Client Asset Requirements were segregated from other costs of regulatory activity in 2014. Since then 50% of the costs associated with this activity have been recovered from the sub-set of Securities and Investment Firms which are subject to the Client Asset Requirements. In 2015 the Central Bank will introduce revised Client Asset Regulations for investment firms, which will re-enforce existing rules and introduce key changes in relation to the abolition of buffers, the appointment of a pre-approved control function for client assets and the requirement for firms to produce a Client Asset Management Plan.

The Central Bank will also introduce specific regulations applicable to Fund Service Providers ("FSPs") when operating collection accounts used for processing subscriptions and redemptions (investor money) to/from collective investment schemes.

The Central Bank has introduced the new Regulations for investment firms and FSPs at the end of Q1 2015. Relevant regulations will be effective for investment firms from 1 October 2015 and from 1 April 2016 for FSPs.

Appendix

15. Investment Funds (E1)

The overall amount to be collected from Funds represents the outcome of the Central Bank's Resource Allocation Model. In 2014, the Central Bank charged a minimum levy per fund of €1,700 and applied an additional levy for each sub-fund (at the rate of €260 per sub-fund up to 10 sub-funds and €160 per sub-fund between 11 and 20 sub-funds).

The chart in Section 5 (2014 Levy by Industry Funding Category) sets out the relative importance of this category as compared with all other categories.

Chart 15.1 below provides a 5 year 'look-back' and some scenarios associated with a move to 100% cost recovery and estimates the impact of 100% cost recovery based on Budget 2014 figures.

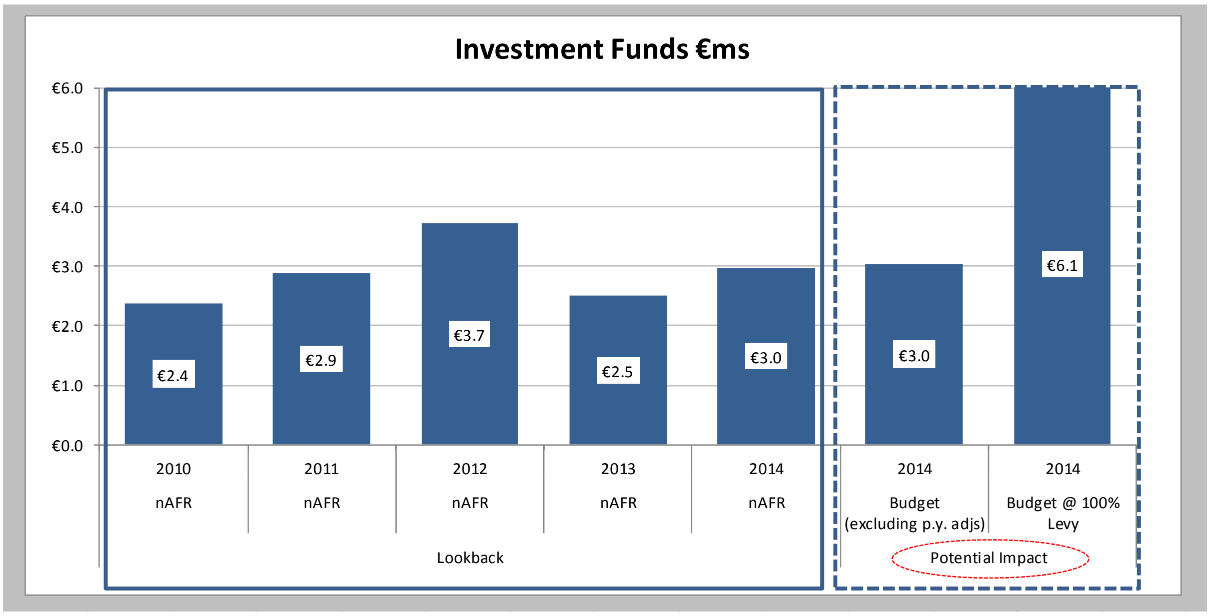

Chart 15.1

Note: *Gross AFR represents the proportion of the budget for financial regulation activity to be recouped from the sector; nAFR represents the gross AFR after adjustment for the surplus/deficit in the amount recovered from the sector in the prior year.*

Regulatory Landscape

Work relating to the Alternative Investment Fund Managers Directive (Directive 2011/61/EU) ("AIFMD") continues and ESMA will be providing an opinion to the EU Commission during 2015 on the working of the internal AIFM passport and advice on the extension of that passport to third countries this year. Further to this work, Article 69 of AIFMD requires the EU Commission to start a review on the application and the scope of AIFMD by 22 July 2017.

Another significant development in the investment management area from ESMA during 2015 will be the issuance of guidelines on remuneration as required under the UCITS V Directive.

Other developments within the EU that will impact the funds industry include further developments relating to the proposed new European regulation designed for Money Market Funds ("MMFs") and the introduction of legislation relating to European Long-Term Investment Funds ("ELTIFs"). In addition, the Securities Financing Transactions Regulation ("SFTR") creates reporting requirements for counter-parties to securities financing transactions and both UCITS and AIFs are in scope. SFTR is expected to go live sometime in 2017.

	2015	2016	2017
EU Legislation			
• *UCITS V*	✓	✓	
• *UCITS VI*	✓	✓	
• *AIFMD*	✓	✓	✓
• *European Long Term Investment Funds (ELTIF)*	✓	✓	
• *ICAV*	✓		
• *Money Markets Funds*	✓	✓	
• *EMIR*	✓	✓	
• *Securities Financing Transactions Regulation (SFTR)*	✓	✓	✓

Within the domestic arena the Irish Collective Asset-management Vehicles ("ICAV") is a new fund vehicle introduced in Ireland during 2015 pursuant to the Irish Collective Asset-management Vehicles Act 2015. The Central Bank began accepting applications for authorisation/registration of ICAVs from 16 March 2015.

Appendix

16. Credit Unions (F)

The chart in Section 5 (2014 Levy by Industry Funding Category – chart 5.2) sets out the relative importance of this category as compared with all other categories.

Chart 16.1 below provides a 5 year 'look-back' and estimates the impact of 50% cost recovery based on Budget 2014 figures.

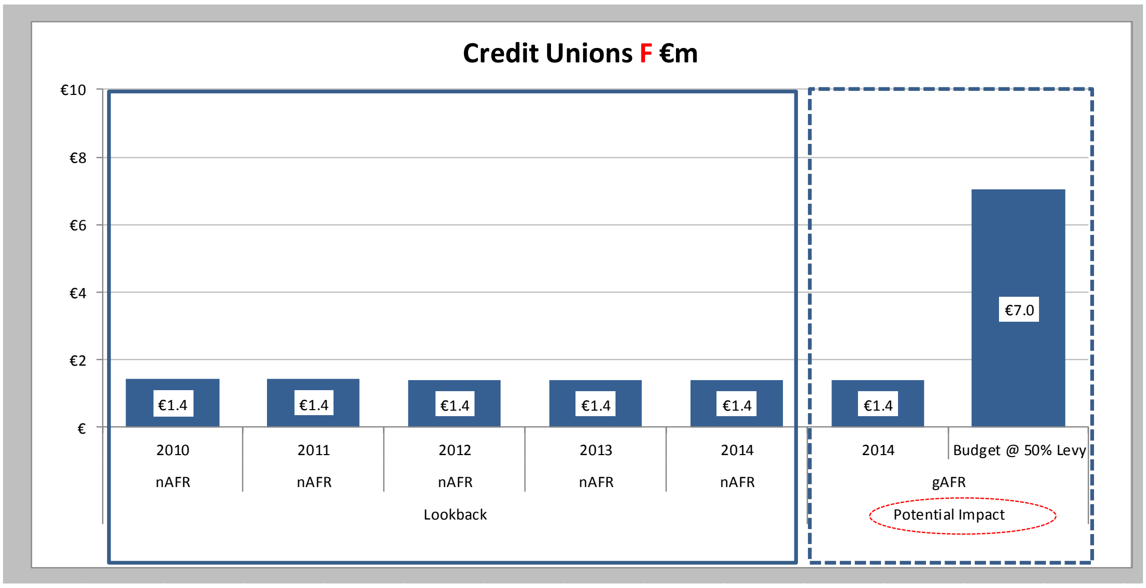

Chart 16.1

Note: *Gross AFR represents the proportion of the budget for financial regulation activity to be recouped from the sector; nAFR represents the gross AFR after adjustment for the surplus/deficit in the amount recovered from the sector in the prior year.*

Regulatory Landscape

	2015	2016	2017
Completion of Implementation of Fitness & Probity Regime	✓	✓	
Completion of introduction of strengthened regulatory framework	✓	✓	
Assess/implement key recommendations that may arise from the Peer Review Report	✓	✓	
Impact of emerging shape of the credit union sector post-restructuring	✓	✓	
Assess/implement longer term supervisory engagement approach for regulation of credit unions	✓	✓	
Embedding of strengthened regulatory framework	✓	✓	✓

Since 2004 the amount of the levy payable by each credit union has been capped at a rate of .01% of its total assets as at 30 September of the previous year. The balance of regulatory costs for this sector has been funded by the Central Bank in accordance with the provisions of the Central Bank Act, 1942 (as amended). The Central Bank previously publicly outlined the intention to phase in the move to a 50% funding of the cost of regulating credit unions over a period of 5 years, commencing in 2016 by gradually increasing the cap upwards from .01% in the Feedback Statement on Consultation Process for CP61 in 2013[8]. This timing was in the context of restructuring and changes to the regulatory framework underway in the sector. In particular in relation to restructuring, 1 January 2016 is the date by which the Minister for Finance, after consultation with the Credit Union Restructuring Board (ReBo) and other persons he considers appropriate, shall have determined whether ReBo has completed the performance of its functions.

The impact of the emerging shape of the credit union sector post-restructuring will be taken into account in determining the detail of the approach to the changes required to funding the costs of regulation. In addition, as with all sectors, the primary driver of the cost of regulation is the cost of direct supervision, in particular the number of staff employed within the Registry of Credit Unions. Any changes in the supervisory engagement approach, which give rise to a change in the number and/or mix of resources, will impact on the total cost of regulation of the sector.

[8] Feedback Statement on Consultation Process for CP 61 - published in 2013

Appendix

17. Intermediaries and Debt Management Firms[9] (C)

The overall amount to be collected from Intermediaries and Debt Management Firms represents the outcome of the Central Bank's Resource Allocation Model. The chart in Section 5 (2014 Levy by Industry Funding Category) sets out the relative importance of this category as compared with all other categories.

Table 17.1 below sets out a simple average of the 2014 levies payable by each institution within this sector and the estimated impact of a move to a full funding model based on Budget 2014 data.

Impact Score	Band 1 < 50.5	Band 2 ≥ 50.5 – 51.0	Band 3 ≥ 51.1 – 52.0	Band 4 ≥ 52.1 – 55.0	Band 5 ≥ 55.1 – 60.0	Band 6 ≥ 60.1 – 65.0	Band 7 ≥ 65.1
2014 Actual Levy	€515	€1,100	€1,500	€1,900	€2,900	€5,900	€26,500
2014 Levy - Full recovery, no surplus/deficit	€1,030	€2,200	€3,000	€3,800	€5,800	€11,800	€53,000

Table 17.1

Chart 17.1 below provides a 5 year 'look-back' and estimates the impact of 100% cost recovery based on Budget 2014 figures.

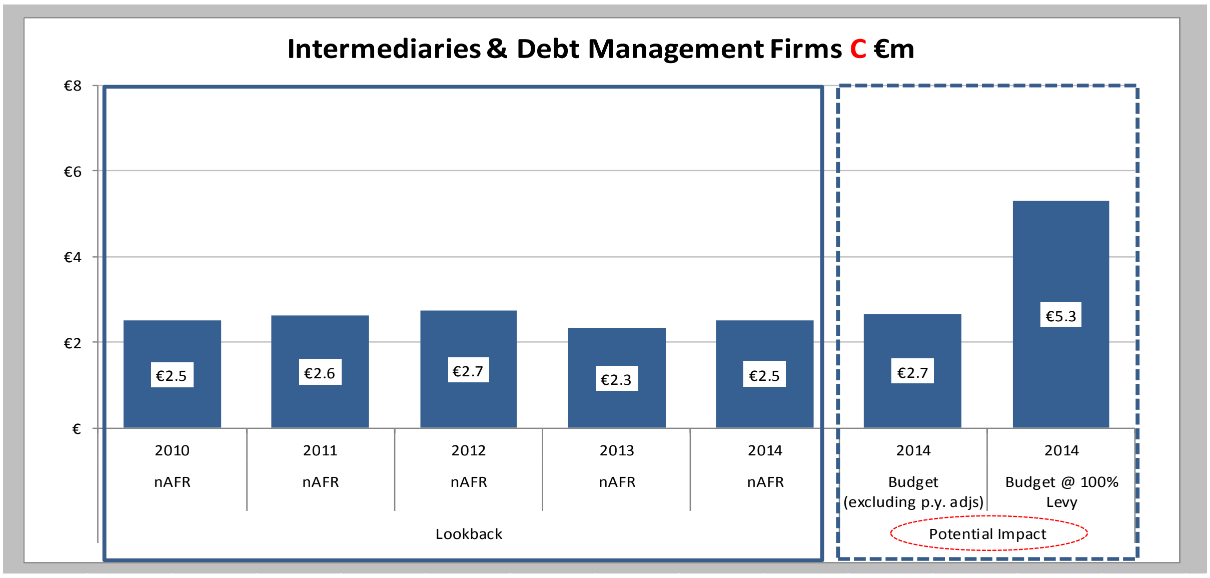

Chart 17.1

***Note**: Gross AFR represents the proportion of the budget for financial regulation activity to be recouped from the sector; nAFR represents the gross AFR after adjustment for the surplus/deficit in the amount recovered from the sector in the prior year.*

[9] This category included for the first time in 2014 the new industry sector of debt management firms.

Regulatory Landscape

	2015	2016
EU Legislation		
• ***Packaged Retail Investment Products***	✓	✓
• ***Insurance Mediation Directive (IMD2)***	✓	✓
• ***Mortgage Credit Directive (MCD)***		✓

The regulatory responsibility is increasing on the industry as new regulations such as the Regulation on key information documents for Packaged Retail and Insurance-based Investment Products ("PRIIPs") and the Insurance Mediation Directive ("IMD2") will be implemented. This may have a bigger impact on insurance undertakings than the retail intermediaries as their selling agents. A number of EU Directives will come into effect in 2016 which may impact on the Consumer Protection Code, the Minimum Competency Code (2011) and the Code of Conduct on Mortgage Arrears (CCMA). The extent of any changes that may be necessary is not clear at this point as some of the Directives are still being negotiated. This will be considered later this year. Following this, the impact on this category will become clearer

Appendix

18. Moneylenders (G)

The overall amount to be collected from Moneylenders represents the outcome of the Central Bank's Resource Allocation Model. The chart in Section 5 (2014 Levy by Industry Funding Category) sets out the relative importance of this category as compared with all other categories.

Table 18.1 below sets out a simple average of the 2014 levies payable by each institution within this sector and the estimated impact of a move to a full funding model based on Budget 2014 data.

Impact Score	Band 1 ≤ 20.5	Band 2 20.6 - 25.0	Band 3 25.1 - 75.0	Band 4 ≥ 75.1
2014 Actual Levy	€1,000	€3,975	€37,500	€120,000
2014 Levy -- Full recovery, no surplus/deficit	€2,000	€7,950	€75,000	€240,000

Table 18.1

Chart 18.1 below provides a 5 year 'look-back' and estimates the impact of 100% cost recovery based on Budget 2014 figures.

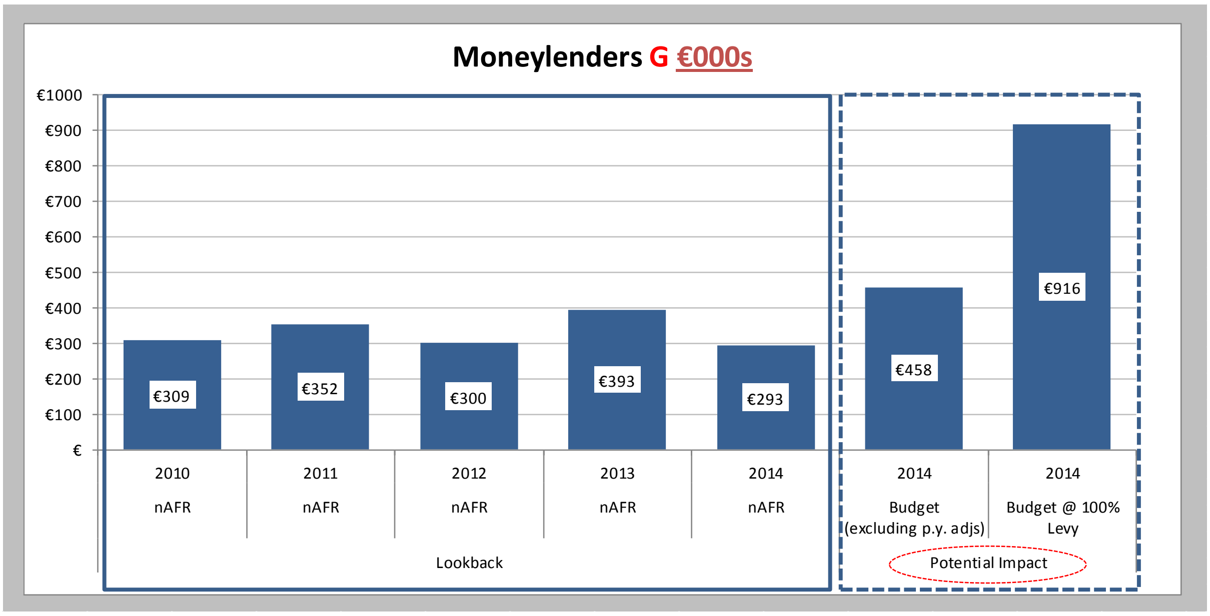

Chart 18.1

***Note**: Gross AFR represents the proportion of the budget for financial regulation activity to be recouped from the sector; nAFR represents the gross AFR after adjustment for the surplus/deficit in the amount recovered from the sector in the prior year.*

Regulatory Landscape

A number of EU Directives will come into effect in 2016 which may impact on the Consumer Protection Code for Licensed Moneylenders. The extent of any changes that may be necessary is not clear at this point as some of the Directives are still being negotiated. This will be considered later this year. Following this, the impact on this category will become clearer.

Appendix

19. Payment Institutions & E-Money Institutions (N)

The overall amount to be collected from Payment Institutions and E-Money Institutions represents the outcome of the Central Bank's Resource Allocation Model. The chart in Section 5 (2014 Levy by Industry Funding Category) sets out the relative importance of this category as compared with all other categories.

Table 19.1 below sets out a simple average of the 2014 levies payable by each institution within this sector and the estimated impact of a move to a full funding model using Budget 2014 data.

Impact Category	Medium Low	Low		
Impact Score	N/A	≤ 51.0	51.1 - 100.0	≥ 100.1
2014 Actual Levy	€251,183	€2,500	€12,500	€113,000
2014 Levy -- Full recovery, no surplus/deficit	€502,366	€5,000	€25,000	€226,000

Table 19.1

Chart 19.1 below provides a 5 year 'look-back' and estimates the impact of 100% cost recovery based on Budget 2014 figures.

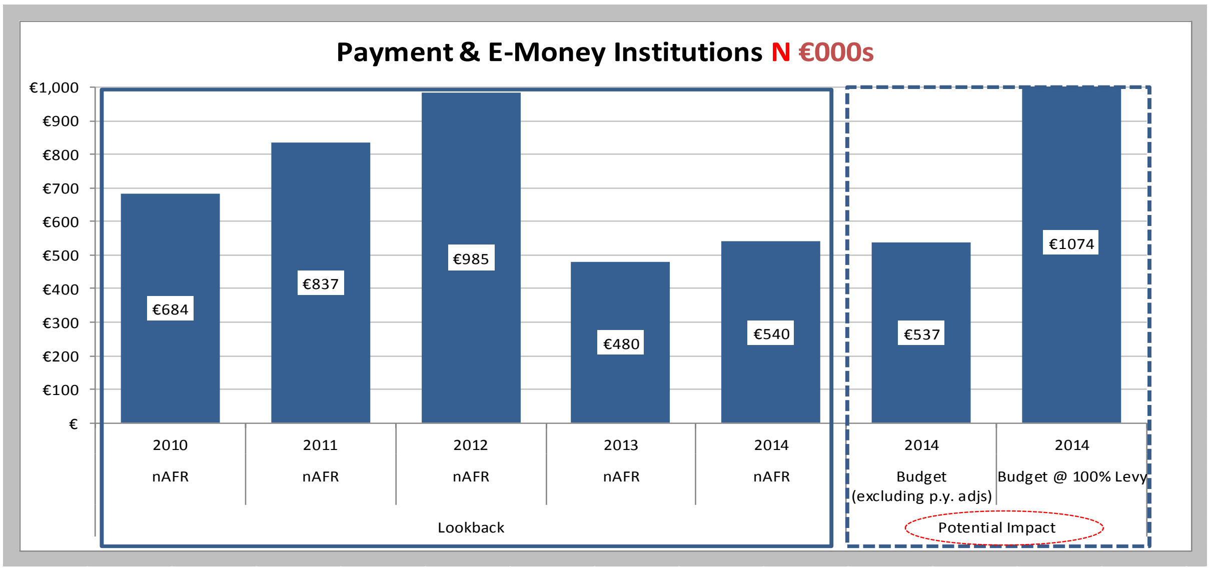

Chart 19.1

Note: *Gross AFR represents the proportion of the budget for financial regulation activity to be recouped from the sector; nAFR represents the gross AFR after adjustment for the surplus/deficit in the amount recovered from the sector in the prior year.*

Regulatory Landscape (Payment Institutions)

	2015	2016
EU Legislation		
• ***Payment Service Directive II***	✓	✓

The European Communities (Payment Services) Regulations 2009 (S.I. no 383 of 2009) transposed the EU Payment Services Directive 2007 (2007/64/EC) into Irish Law. A review of the implementation of the applicable Directive has taken place and changes have been proposed. These are now at trilogue stage where the various arms of the EU, parliament, council and commission, meet to agree on the final text. It is expected that an updated Directive will be published this year which will then have to be introduced into Irish law by way of updated Regulation within 2 years.

A number of EU Directives will come into effect in 2016 which may impact on the Consumer Protection Code. The extent of any changes that may be necessary is not clear at this point as some of the Directives are still being negotiated. This will be considered later this year. Following this, the impact on this category will become clearer.

Regulatory Landscape (E-Money Institutions)

The European Communities (Electronic Money) Regulations 2011 (S.I. no 183 of 2011) transposed the EU Electronic Money Directive 2009 (2009/110/EC) into Irish Law. A review of the implementation of the applicable Directive is due to take place and changes to the Directive are likely to be proposed. It is expected that any updated Directive will have to be introduced into Irish law by way of updated Regulation within 2 years of the date of the publishing of the updated Directive.

	2015	2016
EU Legislation		
• ***Electronic Money Directive***	✓	✓

In addition, a number of EU Directives will come into effect in 2016 which may impact on the Consumer Protection Code. The extent of any changes that may be necessary is not clear at this point as some of the Directives are still being negotiated. This will be considered later this year. Following this, the impact on this category will become clearer.

Appendix

20. Approved Professional Bodies (H)

The overall amount to be collected from Approved Professional Bodies represents the outcome of the Central Bank's Resource Allocation Model. The chart in Section 5 (2014 Levy by Industry Funding Category) sets out the relative importance of this category as compared with all other categories.

Table 20.1 below sets out the 2014 levies payable by each institution within this sector and the estimated impact of a move to a full funding model using Budget 2014 data.

Impact Based Levy	**Low €**
2014 Actual Levy	3,608
2014 Levy - Full recovery; no surplus/deficit	11,750

Table 20.1

Chart 20.1 below provides a 5 year 'look-back' and estimates the impact of 100% cost recovery based on Budget 2014 figures.

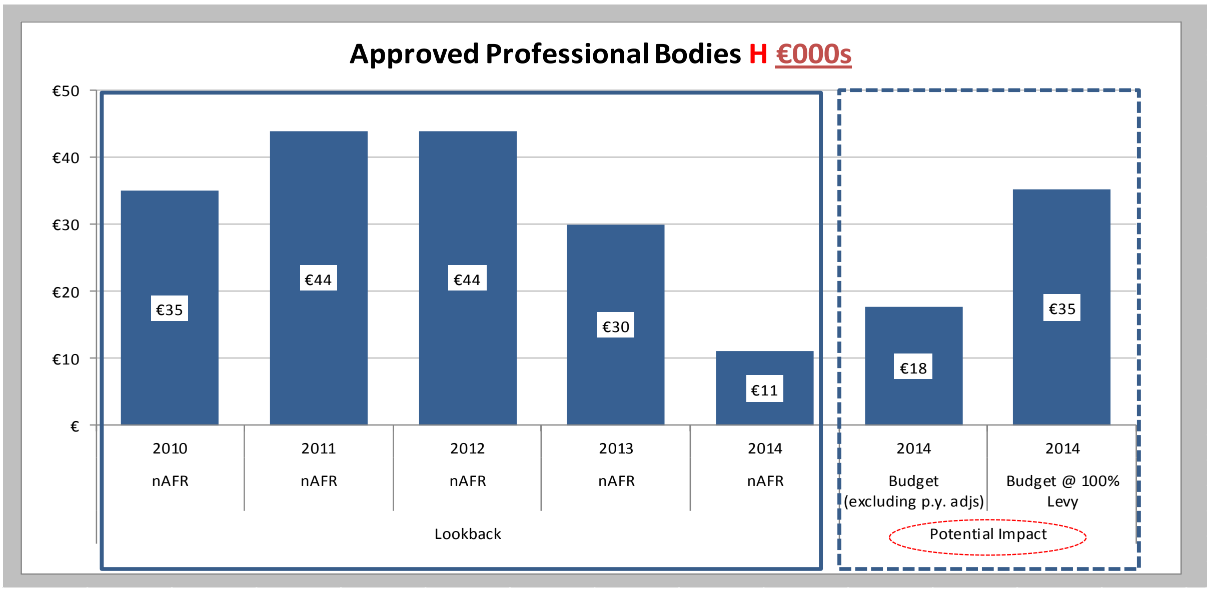

Chart 20.1

Note: *Gross AFR represents the proportion of the budget for financial regulation activity to be recouped from the sector; nAFR represents the gross AFR after adjustment for the surplus/deficit in the amount recovered from the sector in the prior year.*

Regulatory Landscape

The level of the levy for the Approved Professional Bodies (“APBs”) varies depending on whether or not inspections take place and whether there have been any changes to the Consumer Protection Code. The last inspections were carried out in 2010 so another inspection would be expected to take place within the next 3 years.

A number of EU Directives will come into effect in 2016 which may impact on the Consumer Protection Code and the Minimum Competency Code. The extent of any changes that may be necessary is not clear at this point as some of the Directives are still being negotiated. This will be considered later this year. The rules of the APBs must mirror the provisions of the Consumer Protection Code. At this stage, two of the APBs have agreed to apply the Code directly on their members. However, any change to the Code would mean that the third APB would need to change its rules and submit them to the Central Bank for approval. In addition, IMD II may impact on the APB regime as the Directive needs to allow for co-operation with other bodies for the registration and regulation of intermediaries. Trilogue negotiations on IMD II are currently on-going and the Presidency is aiming to reach agreement before the end of June this year.

Appendix

21. Bureaux de Change (J)

The overall amount to be collected from Bureaux de Change represents the outcome of the Central Bank's Resource Allocation Model. The chart in Section 5 (2014 Levy by Industry Funding Category) sets out the relative importance of this category as compared with all other categories.

Table 21.1 below sets out the 2014 levies payable by each institution within this sector and the estimated impact of a move to a full funding model using Budget 2014 data.

Impact Based Levy	Low €
2014 Actual Levy	1,140
2014 Levy - Full recovery; no surplus/deficit	2,518

Table 21.1

Chart 21.1 below provides a 5 year 'look-back' and estimates the impact of 100% cost recovery based on Budget 2014 figures.

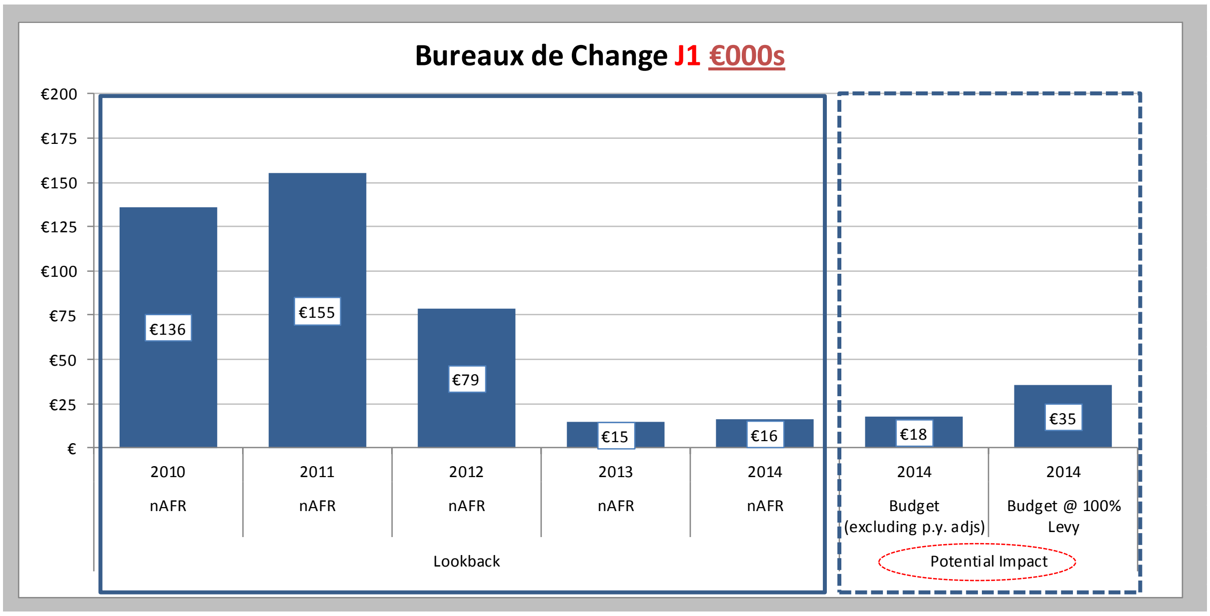

Chart 21.1

Note: *Gross AFR represents the proportion of the budget for financial regulation activity to be recouped from the sector; nAFR represents the gross AFR after adjustment for the surplus/deficit in the amount recovered from the sector in the prior year.*

Regulatory Landscape

It is not anticipated that there will be any changes to the legislation applying to this industry sector (i.e. Part V of the Central Bank Act, 1997) in the period in question. No EU Directive applies to this authorisation category.

However, a number of EU Directives will come into effect in 2016 which may impact on the Consumer Protection Code (at present, the Consumer Protection Code does not apply to Bureau de Change Businesses). The extent of any changes that may be necessary is not clear at this point as some of the Directives are still being negotiated. This will be considered later this year. Following this, the impact on this category will become clearer.

Appendix

22. Retail Credit / Home Reversion Firms (M)

The overall amount to be collected from Retail Credit / Home Reversion Firms represents the outcome of the Central Bank's Resource Allocation Model. The chart in Section 5 (2014 Levy by Industry Funding Category) sets out the relative importance of this category as compared with all other categories.

Table 22.1 below sets out the 2014 levies payable by each institution within this sector and the estimated impact of a move to a full funding model using Budget 2014 data.

Impact Based Levy	**Low €**
2014 Actual Levy	4,904
2014 Levy - Full recovery; no surplus/deficit	10,949

Table 22.1

Chart 22.1 below provides a 5 year 'look-back' and estimates the impact of 100% cost recovery based on Budget 2014 figures.

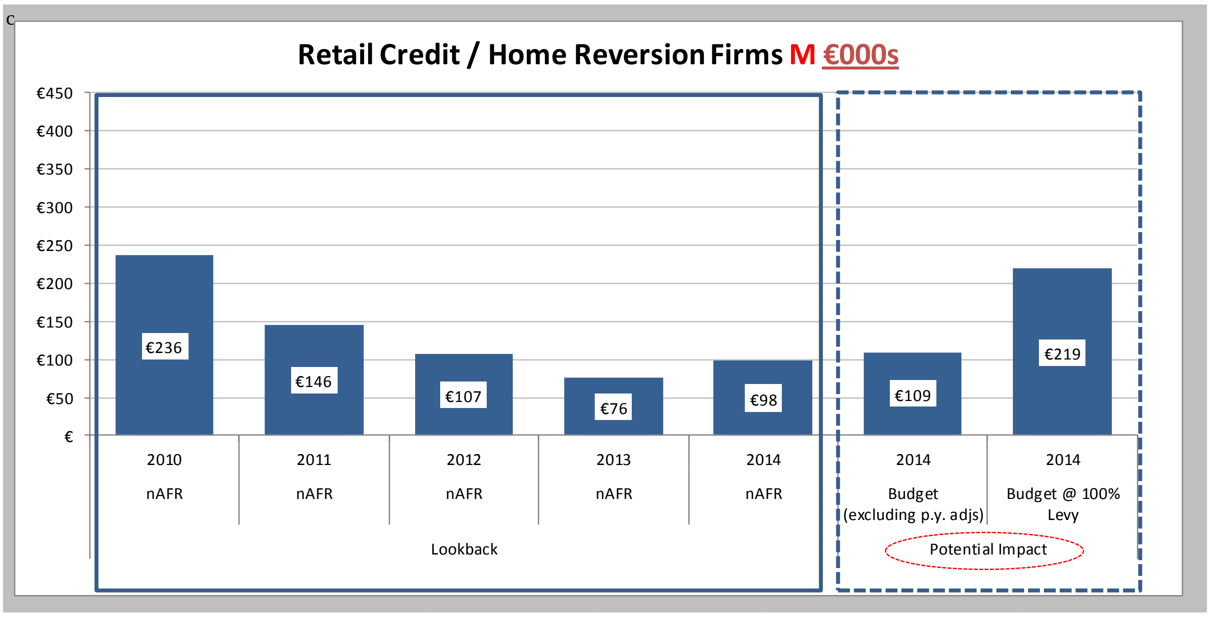

Chart 22.1

Note: *Gross AFR represents the proportion of the budget for financial regulation activity to be recouped from the sector; nAFR represents the gross AFR after adjustment for the surplus/deficit in the amount recovered from the sector in the prior year.*

Regulatory Landscape

A number of EU Directives will come into effect in 2016 which may impact on the Consumer Protection Code. The extent of any changes that may be necessary is not clear at this point as some of the Directives are still being negotiated. This will be considered later this year. Following this, the impact on this category will become clearer.

Appendix

23. Markets Supervision

Work carried out by the Central Bank in performing its responsibilities with respect to the Market Abuse, Transparency, Short Selling and Securities Financing Transaction Regulation Directives does not involve the supervision of regulated entities. In addition, a significant portion of the work with respect to the European Markets Infrastructure Regulation involves supervision of non-financial entities.

Market Supervision also incorporates Prospectus Approval and related fees, including recognised advisors fees, and transparency fees payable to the Central Bank are offset against the cost of performing the Central Bank's responsibilities in these areas. The balance of the costs is funded by the Central Bank by means of an additional subvention.

Chart 23.1 below provides a 5 year 'look-back' and estimates the impact of 100% cost recovery based on Budget 2014 figures.

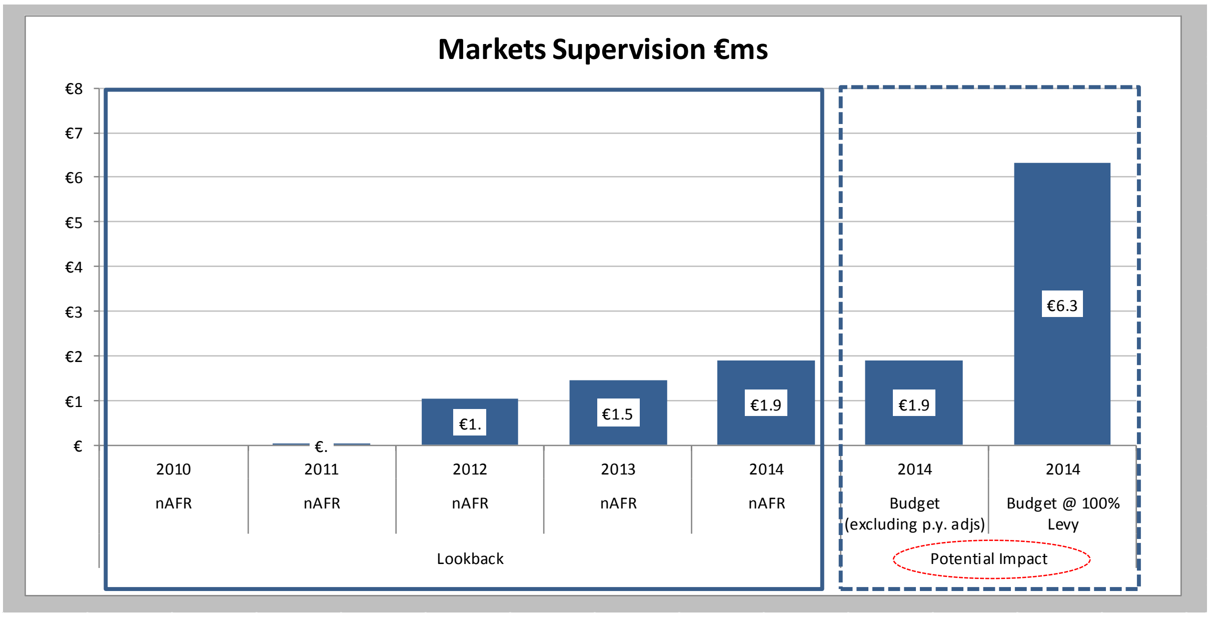

Chart 23.1

Note 1: *Gross AFR represents the proportion of the budget for financial regulation activity to be recouped from the sector; nAFR represents the gross AFR after adjustment for the surplus/deficit in the amount recovered from the sector in the prior year.*

Note 2: *The 2014 nAFR of €1.9 million represents the proportion of the cost of market supervision recovered from industry via prospectus approval and related fees. The cost of carrying out this activity was of the order of €6.3 million with the balance of €4.4 million funded by the Central Bank by way of subvention. Under a full funding model, industry would be required to fund the full cost of financial regulation activity of €6.3 million.*

Regulatory Landscape

While not sector specific, the Market Supervision aspects of the Central Bank's remit continue to develop. Legislative changes will bring Multilateral Trading Facilities ("MTFs") and Organised Trading Facilities ("OTFs") under Central Bank oversight in addition to regulated markets and the range of financial instruments will be extended. As MTFs, the Irish Stock Exchange's ESM, GEM and ASM markets will come within the Central Bank's remit when Market Abuse Regulations ("MAR") come into effect. Under MAR, recommending and inducing insider dealing will be a defined offense. An increase in investigations and collaboration with other Competent Authorities is likely, as increased powers will widen investigative options.

	2015	2016
EU Legislation		
• *Market Abuse*	✓	✓
• *EMIR*	✓	✓
• *CDSR*	✓	✓
• *Securities Financing Transactions Regulations*	✓	✓
• *Credit Rating Agency Directive*	✓	
• *Transparency Directive*	✓	✓

The clearing obligation under European Market Infrastructure Regulation ("EMIR") is expected to commence in 2016 with anticipated high levels of intergroup exemption requests. Work will continue in embedding the supervisory approach to be adopted in 2015 and systems will be developed to download and analyse trade repository data while ensuring that reports to trade repositories are of a high quality.

The Centralised Securities Depositories Regulation ("CSDR") harmonise both the timing and conduct of securities settlement in Europe and the rules governing Central Securities Depositories ("CSDs"). While currently there are no CSDs in Ireland, the necessary legislation and ESMA reporting will have to be put in place. The Securities Financing Transactions Regulation establishes requirements similar to EMIR that cover securities lending, repo and similar transactions. In addition, the Transparency Directive changes will become effective in November 2015 and while some provisions only come into effect in 2018 and 2020, work in this regard will continue in 2016.

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