Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

A Guide to the 2017 Industry Funding Regulations

Contents

Summary

This guide is intended to provide a user-friendly guide as to how the Industry Funding levy for 2017 is calculated. The guide is divided into five sections:

Section 1 Background to the 2017 Industry Funding Regulations

Section 1 sets out the background to the levy and summarises the 2017 Industry Funding Regulations.

Section 2 Significant Changes in 2017

Section 2 sets out significant changes to the levy in 2017 together with changes to the categorisation of regulated ***financial service providers***.

Section 3 Calculation of the Industry Funding Levy

Section 3 explains how the levy is calculated for each industry sector.

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If you have queries regarding the 2017 Industry Funding Levy please refer to the **FREQUENTLY ASKED QUESTIONS** section in the Industry Funding Levy area of our website **www.centralbank.ie** or e-mail the funding section at **funding@centralbank.ie**.

Section 1 – Background to the 2017 Industry Funding Regulations

1.1 The Regulations referred to in this Guide are the Central Bank Act 1942 (Section 32D) Regulations 2017. The objective of the Regulations is to raise approximately 65 per cent[1] of the budget attributed to the ***Bank***'s financial regulation activities directly from the ***financial service providers*** it regulates. Accordingly, the Regulations apply to all persons who are subject to regulation by the ***Bank***.

1.2 The Government gave the power to raise such a levy to the ***Bank*** Commission under the Central Bank Reform Act, 2010. In accordance with the legislation the Commission has sought, and obtained, the approval of the Minister for Finance of its 2017 levy proposals.

1.3 The Regulations were signed into law by the Deputy Governor (Financial Regulation) on 17 October 2017 and became effective on that day. As of that date, all ***financial service providers*** are liable to pay an annual levy. The levy must be paid no later than 28 days from the date on the levy invoice.

1.4 A ***financial service provider*** may hold more than one authorisation from the Bank and may, therefore, fall into more than one ***industry funding category***. In such cases, the ***financial service provider*** will be liable for a levy for each category in respect of which it holds an authorisation – each levy will be invoiced separately. For example, a credit union (Category F) which also holds a multi-agency intermediary authorisation (Category C) will be obliged to pay the levy for both categories.

Collection of the Levy

1.5 The Bank sends almost all ***financial service providers*** a levy invoice after the Regulations are made. However, even if a ***regulated entity*** does not receive a levy invoice, it is still legally obliged to pay the levy calculated in accordance with the appropriate ***industry funding category*** in the Regulations. Any such ***financial service provider*** should request a copy levy invoice by e-mail from **funding@centralbank.ie.**

1.6 Levies may be paid either by direct debit or electronic funds transfer (EFT). To ensure that payments are dealt with efficiently, all payments made by EFT must include details of the levy invoice number and/or the account number. Failure to include the required details may result in the EFT payment being returned at the ***financial service provider's*** expense. Full details for payment by EFT will be supplied on invoices.

Pro-Rata Levies

1.7 Each ***financial service provider*** will be liable to a levy for the portion of the year in respect of which it holds an authorisation from the ***Bank***. It follows that ***financial service providers*** authorised in 2017 will be liable to a levy covering the period from date of authorisation to 31 December 2017. Similarly, ***financial service providers*** whose authorisation is revoked during the course of 2017 will be liable to a levy covering the period 1 January 2017 to the date on which the relevant authorisation is revoked.

[1] Credit Institutions which were admitted to the Eligible Liabilities Guarantee Scheme 2009 are required to fund 100 per cent of supervisory costs. Retail intermediaries and debt management firms continue to be required to fund 50 per cent of their supervisory costs.

Appeals

1.8 Under the provisions of Regulation 13 of the 2017 Funding Regulations, a ***financial service provider*** may appeal the amount of the levy where it considers that the amount has been incorrectly assessed but must do so no later than 21 days following the due date of the levy. This deadline will be strictly enforced. A ***financial service provider*** may only dispute the amount of assessment. A ***financial service provider*** cannot dispute an amount correctly calculated from the Schedule to the Regulations.

1.9 Any such appeal must be in writing and must:

- dispute the calculation of the levy because of either
  - an incorrect figure, or
  - an incorrect ***industry funding category/categories***;
- set out the grounds of the appeal in detail;
- be accompanied by the amount of required levy contribution that is not in dispute; and
- include any supporting documentation or representations where relevant.

1.10 Once an appeal has been considered and the **financial service provider** has been notified of the decision, it must pay the balance of the levy owing (if any) within 10 days of the date of notification.

1.11 Since the determination of a firm's impact categorisation and calculation of its impact score is based on an objective model and metric data reported by the firm itself, neither the firm's impact categorisation nor its impact score are subject to appeal by the regulated entity concerned.

Request for a Waiver

1.12 Regulation 7 of the 2017 Funding Regulations sets out the circumstances (listed below) in which the Bank may grant a waiver of part or all of the Industry Funding levy payable by a ***financial service provider***:

- where payment of part or all of the levy would be likely to make the regulated entity insolvent (or bankrupt in the case of a sole trader); or
- in exceptional circumstances at the discretion of the Bank.

1.13 Any request for a waiver must be in writing and must set out the basis on which the request for a waiver is being sought. All requests for a waiver must be accompanied by relevant supporting documentation.

Recovery of the Levy

1.14 If a ***financial service provider*** fails to pay the levy by the required date the ***Bank*** may take steps to recover the amount of the levy. Recovery action may include court proceedings.

Records

1.15 A ***financial service provider*** must keep all records on which the levy has been calculated for so long as the Regulations stipulate. Regulation 16 stipulates that this requirement is applicable for a period of six years.

Section 2 – Significant Changes in 2017

Proportion of Cost of Financial Regulation Activity funded by Industry

In response to a joint public consultation with the Department of Finance on funding the cost of financial regulation (CP95), former Minister for Finance, Michael Noonan, agreed to a phased movement towards 100 per cent Industry Funding. This commenced in 2017 with an initial movement to 65 per cent for most Industry Funding categories. The target recovery rate for Retail Intermediaries and Debt Management Companies will, however, be retained at 50 per cent for the 2017 levy year. Further increases beyond 2017 will be subject to Ministerial agreement.

Basis on which Credit Institutions will be levied in 2017

Following a Consultation Process (CP108 – New Methodology to Calculate Funding Levies), the Central Bank has, in 2017, implemented a new methodology for the calculation of levies payable by credit institutions. This new calculation, which is similar to that used by the ECB, is described in detail below. It takes into account the size and risk of credit institutions, the Central Bank's role in their supervision within the Single Supervisory Mechanism but also reflects the Central Bank's consumer protection, anti-money laundering and financial stability mandates. The new methodology eliminates the cliff effects of the previous levy methodology. Banks with the ability to have the greatest impact on financial stability and consumers will continue to be levied in a proportionate manner to the level of supervision undertaken by the Central Bank.

Under this approach, the Central Bank will distinguish between Category **A1**, Category **A2** and Category **A3** credit institutions as follows:

- Category **A1**: **Significant Institutions**[2] and high priority **Less Significant Institutions**[3];
- Category **A2**: Non-retail subsidiaries of **Significant Institutions**, **Less Significant Institutions** (except high-priority retail **Less Significant Institutions**), EEA branches and third country branches; and
- Category **A3**: Cross-border EEA credit institutions.

Category **A1** entities (comprising sub-categories **A1a** and **A1b**) will fund 80 per cent of the annual funding charge for credit institutions.

10 per cent of this amount will be recovered from **A1a** and **A1b** credit institutions, split equally[4] amongst them (the minimum levy). The remaining 90 per cent (the variable levy) will be allocated between category

[2] Significant Institution: A credit institution to which such importance is attached that it is directly overseen by the ECB.
[3] Less Significant Institution: A credit institution which continues to be under the direct supervision of the National Competent Authorities.
[4] Subject to the agreed recovery rates of 100% (sub-category **A1a**) and 65% (sub-category **A1b**).

A1 banks in proportion to their size and importance (as measured by Total Assets) and risk profile (as measured by Total Risk Weighted Exposure Amount).

The above levy calculations will take account of the agreed recovery rates of 100 per cent for the ELG Scheme Institutions (sub-category **A1a**) and 65 per cent for other credit institutions (sub-category **A1b**) and individual credit institution levies will then be adjusted for:

(i) external costs related to pre-inquiry work related to the investigation of legacy issues[5]; and
(ii) levies over recovered in 2016.

Category **A2** entities will fund 20 per cent of the annual funding charge for credit institutions before adjustment for

(i) external costs related to pre-inquiry work related to the investigation of legacy issues [6], and
(ii) levies over recovered in 2016.

10 per cent of this amount (the minimum levy) will be recovered from all category **A2** banks, split equally amongst them. The remaining 90 per cent (the variable levy) will be allocated between sub-category **A2a** banks in proportion to their size and importance (as measured by Total Assets) and risk profile (as measured by Total Risk Weighted Exposure Amount).

Individual levy amounts will then be calculated taking account of the agreed recovery rate of 65 per cent, before applying an adjustment in respect of levies over recovered in 2016.

Non-retail EEA branches (sub-category **A2b**) will only be subject to the minimum fee component of the above methodology.

Further details of the 2017 levy calculations and rates that will apply to each of the above categories is set out on pages 7-11.

[5] Attributable solely to credit institutions that were admitted to the Eligible Liabilities Guarantee Scheme 2009 ("the ELG Scheme Institutions").
[6] Attributable solely to the ELG Scheme Institutions.

Insurance Undertakings Operating in Ireland on a Freedom of Establishment Basis

Arising from a consultation process (CP108 – New Methodology to Calculate Funding Levies), the Central Bank will, in 2017, differentiate EEA insurers into three categories for levying purposes. These three categories will take account of size and nature of business written with larger firms and those having written motor insurance business paying significantly more than they have done in the past.

Composition of each of these three categories is described in more detail below. Please note that the 'levy equivalent' comparators below refer to the risk impact-based levies for categories B1, B4 and B7 (page 12)

(i) Category **B2**: EEA branches with gross premiums written (GPW) on Irish risk business of €100m or less will pay a levy equivalent to 75 per cent of the rate applicable to 'Low' risk impact insurers, while those with GPW on Irish risk business in excess of €100 million will pay a levy equivalent to 25 per cent of the rate applicable to 'Medium High' risk impact insurers.

(ii) Category **B3**: Life cross border insurers will pay a levy equivalent to 75 per cent of the rate applicable to 'Low' risk impact insurers.

(iii) Category **B5** is comprised of two sub-categories:

- **B5a**: Non-life EEA branches that write motor insurance in Ireland with GPW on Irish risk business of €50 million or less will pay a levy equivalent to 50 per cent of the levy applicable to 'Medium Low' risk impact insurers, while those with GPW on Irish risk business in excess of €50 million will pay a levy equivalent to 25 per cent of the rate applicable to 'Medium High' risk impact insurers.
- **B5b**: All other non-life EEA branches that are not captured in sub-category B5a will pay a levy equivalent to 75 per cent of the rate applicable to 'Low' risk impact insurers.

Full details of the 2017 levy rates that will apply to each of the above categories is set out on pages 12-13.

Securities and Investment Firms and Fund Service Providers Operating in Ireland on a Freedom of Establishment Basis

The final changes arising from the consultation process (CP108 – New Methodology to Calculate Funding Levies) relate to EEA securities and investment firms operating in Ireland on a Freedom of Establishment basis (new sub-category **D11**) and EEA fund service providers operating in Ireland on a freedom of establishment basis (new sub-category **E2d**). Such firms will be subject to a minimum levy in 2017 equivalent to the levy applicable to 'Low' risk impact securities and investment firm or 'Low' risk impact fund service providers as appropriate. This ensures that such entities bear a fair share of the cost of financial regulation.

Full details of these levy rates are set on pages 17 (securities and investment firms) and 19 (fund service providers).

Section 3 – Calculation of the Industry Funding Levy

Category A: Credit Institutions

A1a – Significant supervised entities within the meaning of the SSM Framework Regulation (Regulation (EU) No. 468/2014 of the European Central Bank (ECB/2014/17)) – that were admitted to the Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009 (the "ELG Scheme institutions")

Each credit institution in this sub-category shall be liable to pay an Industry Funding Levy consisting of the sum of a minimum amount and a variable amount.

Minimum amount: €386,458

Variable amount

The variable amount (V) is calculated as follows:

$$V = ((S+G) * 50\%) * C$$

where

S = the credit institution's percentage share of the sum of total assets for category **A1** (based on the credit institution's report in FINREP template F01.01 row 380 for the period 31 December 2016[7]);

G = the credit institution's percentage share of the sum of total risk exposure for category **A1** (based on the credit institution's report in COREP template C02.00 row 010 for the period 31 December 2016);

C = the proportion of total variable amount for category **A1** relevant to this sub-category **A1a**.

The values of S, G and C relevant to their levy calculations will be communicated directly by the Central Bank to each credit institution.

In addition, in 2017 credit institutions in sub-category A1a will be liable to pay two separate supplementary levies to the Bank for the purposes of providing the Bank with sufficient funds:

[7] For credit institutions whose year-end is October, data for the period 31 October 2016 will be used.

(i) for the conduct of pre-inquiry investigations relating to inquiries that may be held by the Central Bank under Part IIIC of the Central Bank 1942, and

(ii) to enable it to conduct its broad examination of tracker mortgage related issues, as commenced in 2015 and notified to each relevant lender.

These supplementary levies will be set out in separate levy invoices sent to relevant credit institutions.

A1b – Irish authorised Credit Institutions that are outside the scope of sub-category A1a and that are

- **Significant supervised entities within the meaning of the SSM Framework Regulation (Regulation (EU) No. 468/2014 of the European Central Bank (ECB/2014/17)),**
- **Subsidiaries of significant supervised entities within the meaning of the SSM Framework Regulation where that subsidiary provides retail banking services to individuals and businesses in the State through its branch network,**
- **Less significant supervised entities within the meaning of the SSM Framework Regulation that have been deemed 'high priority' by the European Central Bank.**

Each credit institution in this sub-category shall be liable to pay a levy contribution consisting of the sum of a minimum amount and a variable amount.

Minimum amount: €251,198

Variable amount

The variable amount (V) is calculated as follows:

$$V = ((S+G) * 50\%) * C$$

where

S = the credit institution's percentage share of the sum of total assets for category **A1** (based on the credit institution's report in FINREP template F01.01 row 380 for the period 31 December 2016[8]);

G = the credit institution's percentage share of the sum of total risk exposure for category **A1** (based on the credit institution's report in COREP template C02.00 row 010 for the period 31 December 2016);

C = the proportion of total variable amount for category **A1** relevant to this sub-category **A1b**.

The values of S, G and C relevant to their levy calculations will be communicated directly by the Central Bank to each credit institution.

In addition, for the purposes of providing the Bank with sufficient funds to enable it to conduct its broad examination of tracker mortgage related issues, as commenced in 2015 and notified to each relevant lender, in 2017 credit institutions in sub-category A1b that are subject to the Tracker Mortgage Examination shall will be liable to pay a supplementary levy to the Bank.

[8] For credit institutions whose year-end is October, data for the period 31 October 2016 will be used.

This supplementary levy will be set out in a levy invoice sent to each relevant credit institution.

A2a – Non-retail subsidiaries of Significant Institutions, non high-priority Less Significant Institutions, relevant Credit Institutions authorised pursuant to Section 9A of the Central Bank Act 1971

Each credit institution in this sub-category shall be liable to pay a levy contribution consisting of the sum of a minimum amount and a variable amount.

Minimum amount: €12,560

Variable amount

The variable amount (V) is calculated as follows:

$$V = ((S+G) * 50\%) * C$$

where

S = the credit institution's percentage share of the sum of total assets for category **A2** (based on the credit institution's report in FINREP template F01.01 row 380 for the period 31 December 2016[9]);

G = the credit institution's percentage share of the sum of total risk exposure for category **A2** (based on the credit institution's report in COREP template C02.00 row 010 for the period 31 December 2016);

C = the proportion of total variable amount for category **A1** relevant to this sub-category **A2a**.

The values of S, G and C relevant to their levy calculations will be communicated directly by the Central Bank to each credit institution.

In addition, for the purposes of providing the Bank with sufficient funds to enable it to conduct its broad examination of tracker mortgage related issues, as commenced in 2015 and notified to each relevant lender, in 2017 credit institutions in sub-category A2a that are subject to the Tracker Mortgage Examination shall will be liable to pay a supplementary levy to the Bank.

This supplementary levy will be set out in a levy invoice sent to each relevant credit institution.

[9] For credit institutions whose year-end is October, data for the period 31 October 2016 will be used.

A2b – Credit Institutions authorised in another EEA state operating in Ireland on a branch basis

Credit institutions authorised in another EEA state operating in Ireland on a branch basis are obliged to pay a flat rate levy of €12,560.

A3 – Credit Institutions authorised in another EEA state operating in Ireland on a cross border basis

Credit institutions authorised in another EEA state operating in Ireland on a cross border basis are obliged to pay a flat rate levy of €12,560. No levy invoices will be issued.

Category B: Insurance Undertakings

B1 – Life undertakings with Irish head office and life undertakings authorised in another non-EEA state operating in Ireland

B4 – Non life undertakings with Irish head office

B7 – Reinsurance undertakings with Irish head office

Such institutions shall be liable to pay the levy contribution corresponding to its **impact category** as set out in Table 1 below.

Table 1					
Impact Category	*Ultra High*	*High*	*Medium High*	*Medium Low*	*Low*
Levy	€2,614,072	€1,186,135	€271,210	€53,915	€14,871

B2 – Life undertakings authorised in another EEA state operating in Ireland on a branch basis

All entities with the relevant gross premium income written on Irish risk business shall pay a flat rate levy as set out in Table 2 below.

Table 2		
Gross Premium written on Irish risk business	*€0 - €100 million*	*>€100 million*
Levy	€11,153	€67,802

B3 – Life undertakings authorised in another EEA state operating in Ireland on a cross border basis

As insurance undertakings operating in Ireland on a cross border basis may write Irish risk business they will be subject to a levy designed to contribute towards the cost of consumer protection regulation. The amount of such levy is set out in Table 3 below.

Table 3					
Impact Category	*Ultra High*	*High*	*Medium High*	*Medium Low*	*Low*
Levy	N/A	N/A	N/A	N/A	€11,153

B5a – Non life insurance undertakings authorised in another EEA state operating in Ireland on a branch basis that write motor insurance in Ireland

All entities with the relevant gross premium income written on Irish risk business shall pay a flat rate levy as set out in Table 4 below.

Table 4		
Gross Premium written on Irish risk business	*€0 - €50 million*	*>€50 million*
Levy	€26,958	€67,802

B5b – Non life insurance undertakings authorised in another EEA state operating in Ireland on a branch basis that is not included in B5a.

All entities in this sub-category shall pay a flat rate levy of €11,153.

B6 – Non life undertakings authorised in another EEA state operating in Ireland on a cross border basis

As insurance undertakings operating in Ireland on a cross border basis may write Irish risk business they will be subject to a levy designed to contribute towards the cost of consumer protection regulation. The amount of such levy is set out in Table 5 below.

Table 5					
Impact Category	*Ultra High*	*High*	*Medium High*	*Medium Low*	*Low*
Levy	N/A	N/A	N/A	N/A	€11,153

Insurance Undertaking Groups

Where an insurance undertaking is a member of an ***Insurance Undertaking Group***, and where the ***Bank*** has objectively determined by reference to ***PRISM*** and the resources the ***Bank*** expends on supervising the members of such an ***Insurance Undertaking Group***, that it is necessary that such ***Insurance Undertaking Group*** shall pay the levy amount applicable to the ***Ultra High Impact*** category or the ***High Impact*** category (and where the ***Bank*** has notified each member of such ***Insurance Undertaking Group*** of this determination in writing), the proportion of the ***Insurance Undertaking Group*** levy for which an individual constituent member is liable will be calculated according to the following formula:

$$A = B/C \times D$$

Where:

A = proportion of the ***Insurance Undertaking Group*** levy for which the individual constituent member is liable; and

B = levy amount which the individual constituent member would be obliged to pay if it were not being assessed as part of an ***Insurance Undertaking Group***; and

C = total sum of B for all individual constituent members of the ***Insurance Undertaking Group;*** and

D = ***Insurance Undertaking*** Levy (i.e. the ***Ultra High or High Impact*** category levy as appropriate).

For example, in the case of a notional ***Insurance Undertaking Group*** with three constituent members, each one of which fall within the ***High Impact*** category, the total levy payable by the ***Insurance Undertaking Group*** will be €2,614,072 (the ***Ultra High Impact*** category levy) and each individual constituent member's proportion of this levy liability is:

€1,186,135 / (€1,186,135 x 3) x €2,614,072 = €871,357

Where an insurance undertaking is a member of an ***Insurance Undertaking Group***, but does not receive written notification from the ***Bank*** that it is a constituent member of an ***Insurance Undertaking Group*** then it shall be liable to pay the levy contribution corresponding to its ***impact category***.

Category C: Intermediaries and Debt Management Companies

The levies payable by intermediaries and debt management companies are determined by the firms' total income from fees and income from commission as submitted through the Online Reporting System. The levy for intermediaries and debt management companies will be calculated according to the following formula:

Minimum Levy: €932 plus
Variable Levy calculated as follows:

$$(A - B) \times C$$

Where:

A = total of firm's 'Income from Fees' and 'Income from Commissions' as reported in the firm's ***On-Line Regulatory Return*** for the 2016 financial year. If a 2016 return has not been submitted the most recent previous report will be used;

B = threshold level of total 'Income from fees' and 'Income from Commissions' of €300,000;

C = variable levy rate of 0.22%.

Intermediaries and debt management companies newly authorised in 2016 and not yet due to submit an ***On-Line Regulatory Return*** shall be liable to pay the minimum Industry Funding Levy applicable to this category of €932.

Intermediaries and debt management companies that have failed to submit their ***On-Line Regulatory Return*** in accordance with regulatory requirements shall be liable to a default levy amounting to €3,600. This default levy will be cancelled, however, and replaced with a levy calculated in accordance with the entity's reported income from fees and income from commissions following submission of its ***On-Line Regulatory Return***.

Category D: Securities and Investment Firms

D1 – Designated Fund Managers

D2 – Receipt and Transmission of Orders and/or Provision of Investment Advice

D3 – Portfolio Management; Execution of Orders

D4 – Own Account Trading; Underwriting on a Firm Commitment Basis

D6 – Firms authorised under the Investment Intermediaries Act, 1995 that are not captured in any other levy category

A ***regulated entity*** falling within any of the above sub-categories of Securities and Investment Firms authorised by the ***Bank*** shall be liable to pay the levy contribution corresponding to its ***impact category*** as set out in Table 6 below.

Table 6					
Impact Category	***Ultra High***	***High***	***Medium High***	***Medium Low***	***Low***
Levy	N/A	N/A	€391,544	€77,837	€9,675

D5 – Stock Exchange Member Firms

A Member Firm of the Irish Stock Exchange that has been authorised by the ***Bank*** shall be liable to pay the levy contribution corresponding to its ***impact category*** as set out in Table 7 below.

Table 7					
Impact Category	***Ultra High***	***High***	***Medium High***	***Medium Low***	***Low***
Levy	N/A	N/A	€391,544	€77,837	€9,675

D9 – High Volume Algorithmic Trading Firms

A ***High Volume Algorithmic Trading Firm*** that has been authorised by the ***Bank*** shall be liable to pay the levy contribution corresponding to its ***impact category*** as set out in Table 8 below.

Table 8					
Impact Category	***Ultra High***	***High***	***Medium High***	***Medium Low***	***Low***
Levy	N/A	N/A	€391,544	€77,837	€9,675

D10 – Market Infrastructure Firms

A ***Market Infrastructure firm*** that has been authorised by the Bank shall be liable to pay the levy contribution corresponding to its ***impact category*** as set out in Table 9 below.

Table 9					
Impact Category	***Ultra High***	***High***	***Medium High***	***Medium Low***	***Low***
Levy	N/A	N/A	€391,544	€77,837	€9,675

D1 to D10 As above

Firms in D1 to D10 above that are subject to the ***Client Asset Requirements*** shall pay a supplementary levy to the Bank corresponding to its impact category as set out in Table 10 below.

Table 10					
Impact Category	***Ultra High***	***High***	***Medium High***	***Medium Low***	***Low***
Levy	N/A	N/A	€77,242	€15,355	€2,384

Investment Firms within the meaning of Regulation 3 of the European Union (Bank Recovery and Resolution) Regulations, 2015 shall pay a supplementary administration levy to the Bank corresponding to its impact category as set out in Table 11 below.

Table 11					
Impact Category	***Ultra High***	***High***	***Medium High***	***Medium Low***	***Low***
Levy	N/A	N/A	€43,811	€8,709	N/A

D11 – Investment firms authorised in another EEA state operating in Ireland on a branch basis.

All entities in this sub-category shall pay a flat rate levy of €8,897.

Category E: Investment Funds, Alternative Investment Fund Managers and other Investment Fund Service Providers

E1a - Authorised UCITS; Authorised Unit Trusts; Authorised Investment Companies (Designated and Non Designated); Authorised Investment Limited Partnerships; Authorised Common Contractual Funds; Authorised Irish Collective Asset-management Vehicles

E1b - UCITS Self-Managed Investment Companies (SMICs); Authorised Designated Investment Companies (Internally Managed Alternative Investment Funds); Authorised Irish Collective Asset-management Vehicles (Internally Managed Alternative Investment Funds); Authorised Irish Collective Asset-management Vehicles (UCITS SMICS)

All funds authorised by the ***Bank*** shall be liable to pay a minimum levy of €3,202. Umbrella funds will also pay a contribution per sub-fund of €235 up to ten sub-funds and a further levy of €145 on sub-funds numbers greater than ten, to a maximum of twenty sub-funds, resulting in a maximum contribution for umbrella funds of €7,002.

Table 12

No. of Sub Funds	***Levy per sub-fund***	***Total Levy***
2	€235	€3,672
3	€235	€3,907
4	€235	€4,142
5	€235	€4,377
6	€235	€4,612
7	€235	€4,847
8	€235	€5,082
9	€235	€5,317
10	€235	€5,552
11	€145	€5,697
12	€145	€5,842
13	€145	€5,987
14	€145	€6,132
15	€145	€6,277
16	€145	€6,422
17	€145	€6,567
18	€145	€6,712
19	€145	€6,857
20	€145	€7,002

E2a - AIF Management Companies

E2b - Administrators; UCITS Managers (Non Delegating); Depositories; Alternative Investment Fund Managers

E2c - UCITS Managers (Delegating)

An ***Investment fund service provider*** falling within any of the above sub-categories and which has been authorised by the ***Bank*** shall be liable to pay the levy contribution corresponding to its ***impact category*** as set out in Table 13 below.

Table 13					
Impact Category	***Ultra High***	***High***	***Medium High***	***Medium Low***	***Low***
Levy	N/A	N/A	€391,544	€77,837	€9,675

E2d – UCITS managers and alternative investment fund managers authorised in another EEA state operating in Ireland as such on a brand new basis.

All entities in these sub-category shall pay a flat rate levy of €8,897.

Category F: Credit Unions

A Credit Union is liable to pay a levy of 0.01 per cent of total assets as reported in its annual return setting out its balance sheet as at 30 September 2016.

Category G: Moneylenders

The levies payable by moneylenders are determined by the ***regulated entity***'s ***impact score*** under ***PRISM***. Moneylenders shall be liable to pay the levy contribution corresponding to its ***impact score*** as set out in Table 14 below.

Table 14

Impact Category	***Low***				
Impact Score	**≤ 10.5**	**10.6 - 13.0**	**13.1 - 15.0**	**15.1 - 30.0**	**≥ 30.1**
Levy	€1,161	€4,590	€11,638	€43,353	€168,491

Category H: Approved Professional Bodies

Each approved professional body shall be liable to pay the levy contribution corresponding to its ***impact category*** as set out in Table 15 below.

Table 15

Impact Category	***Ultra High***	***High***	***Medium High***	***Medium Low***	***Low***
Levy	N/A	N/A	N/A	N/A	€4,058

Category J1: Bureaux de Change

Each bureau de change that has been authorised by the ***Bank*** shall be liable to pay the levy contribution corresponding to its ***impact category*** as set out in Table 16 below.

Table 16					
Impact Category	***Ultra High***	***High***	***Medium High***	***Medium Low***	***Low***
Levy	N/A	N/A	N/A	N/A	€925

Category L: Default Assessment

Each ***regulated entity*** defined as a defaulting entity pursuant to Regulation 16(4) of the 2017 Regulations is liable to pay a flat rate levy of €3,600.

Category M: Retail Credit Firms and Home Reversion Firms

M1 – Retail Credit Firms

Each retail credit firm that has been authorised by the ***Bank*** shall be liable to pay the levy contribution corresponding to its ***impact category*** as set out in Table 17 below.

Table 17					
Impact Category	***Ultra High***	***High***	***Medium High***	***Medium Low***	***Low***
Levy	N/A	N/A	N/A	N/A	€40,249

In addition, retail credit firms that are subject to the Tracker Mortgage Examination shall pay a supplementary levy to the Bank and this supplementary levy will be set out in a levy invoice sent to the relevant retail credit firms.

M2 – Home Reversion Firms

Each home reversion firm that has been authorised by the ***Bank*** shall be liable to pay the levy contribution corresponding to its ***impact category*** as set out in Table 18 below.

Table 18					
Impact Category	***Ultra High***	***High***	***Medium High***	***Medium Low***	***Low***
Levy	N/A	N/A	N/A	N/A	€3,740

M3 - Credit Servicing Firms

Each credit servicing firm that has been authorised by the ***Bank*** shall be liable to pay the levy contribution corresponding to its ***impact category*** as set out in Table 19 below.

Table 19					
Impact Category	***Ultra High***	***High***	***Medium High***	***Medium Low***	***Low***
Levy	N/A	N/A	N/A	N/A	€35,067

Category N: Payment Institutions and E-Money Institutions

Each payment and e-money institution that has been authorised by the ***Bank*** shall be liable to pay the levy contribution corresponding to its ***impact category*** and ***impact score*** as set out in Tables 20 and 21.

Table 20

Impact Category	***Ultra High***	***High***	***Medium High***	***Medium Low***
Levy	N/A	N/A	€580,675	€159,300

Table 21

Impact Category	***Low***		
Impact Score	**≤ 51.0**	**51.1 - 100.0**	**≥ 100.1**
Levy	€2,854	€14,271	€128,733

Section 4 – Financial Information for Industry Sectors

Calculation of Levy rates for individual *Financial Service Providers*

4.1 Costs directly attributable to a particular ***industry funding category*** are allocated solely to the ***industry funding category*** concerned. Such costs include the pay, non-pay and overhead costs associated with the front-line supervision of ***regulated entities*** on a day to day basis. It also includes the pay, non-pay and overhead costs associated with divisional management and with those specialist support staff located within supervision divisions of the ***Bank*** who provide expert advice and support relating to particular ***industry funding categories***.

4.2 Costs related to the investigation and follow-up of legacy issues related to the financial crisis are funded solely by the particular ***industry funding categories*** concerned.

4.3 The cost of those resources dedicated by our Consumer Protection and Enforcement Divisions to the supervision of ***low impact*** firms must be borne by such firms in proportion to their share of the total impact based resources attributable to ***low impact*** firms. In a similar fashion, the balance of the resources available to the ***ultra high*** to ***medium low impact*** categories must be borne by those firms in proportion to their share of the total impact based resources attributable to firms other than ***low impact*** firms.

4.4 The cost of other financial regulation support activities (such as the development of supervisory policy in relation to credit institutions or insurance companies) which are directly attributable to ***industry funding categories*** will be borne by the particular ***industry funding category*** concerned while the cost of other financial regulation support services (such as Risk Division) are borne by ***regulated entities*** in proportion to their share of total impact based resources.

4.5 Total costs attributable to each ***industry funding category*** are distributed across individual ***regulated entities*** within a particular ***industry funding category*** based on relative allocations of the total impact based resources attributable to the ***industry funding category***.

How the *net Annual Funding Requirement (nAFR)* is determined

4.6 The 2017 budget for financial regulation activities, as advised to the Minister for Finance is €171.4 million[10]. The ***gross Annual Funding Requirement (gAFR)*** arising from the budget is €95.4 million[11].

4.7 In order to determine the amount that must actually be collected from industry in 2017 – the 2017 ***nAFR*** – an adjustment has been made for the under/over recovery of costs in 2016. This adjustment is calculated by comparing the amounts collected from the 2016 industry funding levy with actual expenditure for 2016. An adjusted shortfall of €0.2 million arose in 2016. The required amount to be collected from industry in 2017 has been increased accordingly.

4.8 Unpaid levies represent €1.9 million of this €0.2 million shortfall. Since 2015, unpaid levies have been redistributed over all categories in proportion to each category's share of levies before redistribution. This approach avoids the paradox whereby failure to pay the levy benefits the delinquent firm and also imposes the costs it has avoided on its direct competitors.

4.9 Following adjustment for the shortfall relating to 2016, the amount to be collected from industry in 2017 is €95.5 million.

[10] After adjustment for smoothing of pension costs.

[11] The ***gross Annual Funding Requirement*** does not equal exactly 65 per cent (50 per cent for retail intermediaries and debt management firms) of budget primarily due to:

a) the impact of the smoothing of pension costs; and
b) the decision that the domestic credit institutions covered by the Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009 are required to fully fund the cost of the intensive level of supervision provided for as part of the Scheme. This was, however, partially offset by:
    i. the continued capping of the credit union levy at 0.01 per cent of total assets. This results in additional funding by the ***Bank*** of €7.1 million.
    ii. the target recovery rate of retail intermediaries and debt management firms is being retained at 50 per cent in 2017.
    iii. the adjusted shortfall of €0.3 million carried forward from 2016; and
    iv. the exclusion of the 2017 budget for costs of €10.7 million relating to certain securities market supervision activities carried out by the ***Bank*** in respect of the Prospectus, Market Abuse, Transparency, Short Selling and European Market Infrastructure Regulations Directives.

Section 5 – Appendices

Appendix 1 – Comparison of 2017 and 2016 *Net Annual Funding Requirement (nAFR)*

Category	Description	2017 nAFR	2016 nAFR	Variance
		€'000	€'000	€'000
A1a	Irish authorised Credit Institutions admitted to the ELG Scheme 2009 and their subsidiaries	18,145	29,940	(11,795)
A4	Supplementary Levy for Credit Institutions	5,535	N/A	5,535
A1b/A2	Irish authorised Credit Institutions (other than those in A1a) and EEA Branches	14,336	10,174	4,162
B	Insurance Undertakings	26,381	17,391	8,990
C	Intermediaries and Debt Management Companies	4,412	3,077	1,335
D/E2	Securities & Investment Firms and Investment Fund Service Providers	17,088	12,390	4,698
E1	Investment Funds	5,001	2,759	2,242
F	Credit Unions*	1,630	1,400	230
G	Moneylenders	525	391	134
H	Approved Professional Bodies	12	11	1
J	Bureaux de Change	11	12	(1)
M	Retail Credit/Home Reversion/Credit Servicing Firms	1,387	765	622
N	Payment Institutions & E-Money Institutions	1,016	791	225
	Total	**95,479**	**79,101**	**16,378**

* This does not represent 65 per cent of the 2017 Budget due to the cap currently in place for Credit Unions. See Category F in Section 3.

Appendix 2 – Population of Each Industry Sector

Industry Sector	Description	2017 No. of Entities	2016 No. of Entities
A1a	Significant Institutions that were admitted to the ELG Scheme 2009	3	n/a[12]
A1b	Irish authorised Credit Institutions not in A1a that are (a) Significant Institutions, (b) subsidiaries of Significant Institutions providing retail services through branch network, (c) 'High Priority' Less Significant Institutions.	6	n/a
A2a	Non-retail subsidiaries of Significant Institutions; credit institutions authorised under Section 9A of the Central Bank Act, 1971.	12	n/a
A2b	Credit Institution - EEA Branch	33	n/a
B1 B4 B7	Insurance Life - Irish Head Office Insurance Non - Life Irish Head Office Reinsurance	219	232
B2 B5	Insurance Life - EEA Branch Insurance Non Life - EEA Branch	42	41
C	Intermediaries and Debt Management Companies	2,365	2,515
D1, D2, D3, D4, D6	Securities & Investment Firms	88	96
D5	Member Firms of the Irish Stock Exchange	6	6
D9	High Volume Algorithmic Traders	2	2
D10	Market Infrastructure Firms	4	4
D11	Investment Firm – EEA Branch	36	n/a
E1	Investment Funds	1,250	1,194
E2a, E2b, E2c	Investment Fund Service Providers	217	221
E2d	Investment Fund Service Providers – EEA Branch	7	n/a
F	Credit Unions	303	352
G	Moneylenders	39	39
H	Approved Professional Bodies	3	3
J1	Bureaux de Change	12	13
M	Retail Credit Firms, Home Reversion Firms and Credit Servicing Firms	35	49
N	Payment & E-Money Institutions	14	13

[12] Due to the implementation of a revised levy calculation methodology for Category A (Credit Institution) in 2017, the population numbers for 2017 and 2016 are not directly comparable on a sub-category basis. The 2016 numbers for credit institutions can be found in Appendix 2 of the 2016 Guide.

Appendix 3 – Introduction and Background to *Impact Scores*

Introduction

Risk-based supervision starts with the premise that not all firms are equally important to the economy and that a ***regulator*** can deliver most value through focusing its energies on the firms which are most significant and on the risks that pose the greatest threat to financial stability and consumers.

A risk-based system also provides a systematic and structured means of assessing different types of risk, ensuring that idiosyncratic approaches to firm supervision are avoided and that potential risks are analysed for higher impact firms using a common framework. This allows judgements about potential risk in different firms to be made using a common risk typology on a common scale.

At its core, risk-based supervision accepts the premise that resources are finite, that there is no unlimited pool of public or industry funding on which to draw and that every ***regulator*** has to make choices as to what it will do and what it will not do. It makes no a prior judgement on what the right level of resources should be but seeks to deploy available resources in the most efficient fashion.

Under ***PRISM***, the most significant firms, those with the ability to have the greatest impact on financial stability and the consumer, receive a high level of supervision under structured engagement plans, leading to early interventions to mitigate potential risks. Conversely, those firms which have the lowest potential adverse impact are supervised more reactively or through thematic assessments, with the ***Bank*** taking targeted enforcement action against firms across all ***impact categories*** whose poor behaviour risks jeopardising our statutory objectives, including financial stability and consumer protection.

PRISM enables firms to be categorised based on impact so that supervisors can guard against the potential failure of those firms posing the highest potential impact. A firm's ***impact category*** 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.***

Impact Scoring Process Explained

The ***impact score*** represents a weighted average of ***impact metrics*** data (selected items from their most up-to-date financial and business data) from various prudential returns. For similar sets of ***regulated entities*** common ***impact metrics*** are used in order to reflect specific aspects of the industry. For example, for intermediaries the ***impact metrics*** used are number of customers, number of customer facing advisors and turnover. Each ***impact metric*** adds to the final ***impact score*** on a basis determined by the impact model parameters.

Due to the diversity of ***impact metrics*** (for example, number of customers as a metric may reflect something quite different in impact terms to premium income as a metric) across the many regulated sectors, the first step in calculating an ***impact score*** is to translate the raw ***impact metric*** range into a common range so that metrics can be combined and compared. To put this in context, some capital-related metrics may range from thousands to tens of millions, while client-based metrics may range from a few dozen to millions.

The second step is the parameterising and calibrating of the raw ***impact metric data*** submitted by firms in their returns to the ***Bank*** to provide a "normalised" ***impact metric*** value that can be weighted and then summed to produce overall ***impact scores***. Each ***impact metric*** adds to the final ***impact score*** on a weighted basis determined by the impact model parameters. Note that these weightings are industry specific and reflect the relative importance of one metric over another within the given sector.

The ***impact score*** is recalculated automatically every time new data is submitted to the ***Bank*** via the online reporting tool. The ***impact score*** will be calculated even when only some of the ***impact metrics*** are refreshed by using a combination of new data and data that was used in the previous calculation. For example, some ***impact metrics*** could be reported by a firm on an annual basis whilst others will be reported on a quarterly basis. In this scenario, the ***impact score*** will be updated four times a year using last year's annual figures and the most up to date quarterly figures from quarter to quarter.

How the *impact score* can be used

Impact scores are used to compare firms in terms of their impact and to categorise them into five ***impact categories*** as follows:

- ***Ultra High***
- ***High***
- ***Medium High***
- ***Medium Low***
- ***Low***

Impact scores can also be used to compare firms within an ***impact category***. For example, a firm with an ***impact score*** of 75 is deemed to have a lower impact relative to all firms with higher ***impact scores***. This does not necessarily mean that a firm with an ***impact score*** of 150 would have twice the impact of a firm with a score of 75, but it would have a significantly greater impact. It is also reflective of the fact that the firm scoring 150 has a much greater potential to grow and become a ***medium low impact*** firm over time.

Appendix 4 – Glossary

Bank means the Central Bank of Ireland.

BRRD is the Bank Recovery and Resolution Directive 2014. The BRRD sets out the rules for the resolution of banks and large investment firms in all EU Member States.

Client Asset Requirements means those requirements imposed by the Central Bank under Regulation 79 of the European Communities (Markets in Financial Instruments) Regulations 2007 on investment firms that hold client assets. The Requirements are designed to protect and safeguard client assets (consisting of funds and financial instruments) which an investment firm, in the course of providing investment services, holds on behalf of clients. The Requirements are also imposed by the Central Bank under Section 52 of the Investment Intermediaries Act, 1995 on investment business firms authorised to hold client assets.

Credit Institution Group means an ELG Scheme Institution together with each of its subsidiaries that are credit institutions authorised under Irish legislation.

Comprehensive Assessment Institution means a credit institution authorised under Irish legislation which, in accordance with the requirements of the Single Supervisory Mechanism, was subject to a Comprehensive Assessment during 2014 before the commencement of the Single Supervisory Mechanism.

ELG Scheme Institution means a credit institution authorised under Irish legislation which was admitted to the Eligible Liabilities Guarantee Scheme, 2009.

Financial Service Providers see ***Regulated Entities***

Investment Fund Service Providers is the collective term used to describe the parties providing services to an investment fund.

Gross Annual Funding Requirement (gAFR) represents the proportion (currently 50 per cent but with certain exceptions – see Section 4) of the budget for financial regulation activities for the year in question which will be funded by industry.

High Impact *regulated entities* are large domestic and international financial firms which are major players in their respective markets with considerable potential to cause large-scale damage to financial sector stability.

A **High Volume Algorithmic Trading Firm** is a ***regulated entity*** which primarily executes a large volume of buy and sell orders using proprietary algorithmic trading software technology.

Impact category is derived from the Central Bank's Probability Risk and Impact System (***PRISM***) for the 2017 funding year. It reflects the Central Bank's assessment of the potential impact of the failure of a ***regulated entity*** on financial stability and consumers.

Impact metric data means selected items extracted from a ***regulated entity's*** most up to date ***On-Line Regulatory Return.***

Impact Score is derived from the Central Bank's Probability Risk and Impact System (***PRISM***) for the 2017 funding year. It represents a numeric evaluation of a ***regulated entity***'s potential impact calculated by combining ***impact metric data***.

Industry Funding Category - for the purposes of the annual Industry funding levy, ***regulated entities*** are categorised according to the financial activities they are authorised to undertake. For example, credit institutions are category A, insurance undertakings are category B, retail intermediaries are category C and so on. There are currently 12 industry funding categories. Please see Section 3 for further details.

Insurance Undertaking Group means a group of entities comprised of an entity that comes within ***industry funding categories*** B1, B2, B3, B4, B5, B6 or B7 and either

(a) has one or more associated companies that come within ***industry funding categories*** B1, B2, B3, B4, B5, B6 or B7; or

(b) is a subsidiary of an insurance holding company, an asset management company, a third country insurer or a third country reinsurer or a mixed activity insurance holding company (as defined in the European Communities (Insurance and Reinsurance Groups Supplementary Supervision) Regulations 2007).

Low Impact *regulated entities* tend to have ***impact scores*** lower than 200. These constitute the bulk of the ***regulated entities*** operating in Ireland. Failure of individual ***regulated entities*** in this category would not cause significant damage to the State or its citizens as a whole.

Less Significant Institution: A bank which continues to be under the direct supervision of the National Competent Authorities.

A **Markets Infrastructure Firm** is a ***regulated entity*** that either:

(a) operates a trading platform; or

(b) provides clearing and/or settlement services to market participants.

Medium High Impact *regulated entities* are large firms with considerable potential to cause prudential harm or customer loss. They are, however, not systemically important institutions but ***regulated entities*** whose failure (if managed properly) should not derail the financial system or wider economy

Medium Low Impact *regulated entities* tend to have ***impact scores*** between 200 and 700. Typically, medium low impact ***regulated entities*** are medium-sized and non-dominant players in their respective industries.

Net Annual Funding Requirement (nAFR) represents the adjustment of the ***Gross Annual Funding Requirement (gAFR)*** for the amount of any under/over recovery of the costs of financial regulation in the prior year.

On-Line Regulatory Return is the return that must be completed by certain types of ***regulated entities*** and submitted to the ***Bank*** by means of a secure web based system. The amount and type of information that the ***Bank*** requires to be included in these regulatory returns varies between financial sectors. Links to the sectoral requirements are available in the reporting requirements section of the Financial Regulation Industry Sectors.

PRISM (**P**robability **R**isk and **I**mpact **S**yste**M**) is the name given to the framework that the ***Bank*** has developed to apply risk based supervision.

Regulated Entities means persons who are subject to regulation under designated enactments and designated statutory instruments (including ***financial service providers*** whose business is subject to regulation by an Authority that performs functions in an EEA country that are comparable to the functions performed by the ***Bank*** under a designated enactment or designated statutory instrument) and also includes former regulated entities who were regulated for part of the levy period.

Regulator is the state body charged with the responsibility for the prudential supervision of authorised ***financial service providers.*** In Ireland, the regulator is the Central Bank of Ireland.

Significant Institution: A bank to which such importance is attached that it is directly overseen by the ECB.

Ultra High Impact *regulated entities* are the largest domestic ***regulated entities*** or international ***regulated entities*** with Irish headquarters and with potential to cause large scale damage to the financial system and the Irish economy.