Banc Ceannais na hÉireann
Central Bank of Ireland
Eurosystem

Funding Strategy and Guide to the 2022 Industry Funding Regulations

Contents

Summary

This publication is intended to provide a guide to the Industry Funding Regulations for 2022 which have been set to recover industry's share of 2021 Financial Regulation costs.

The guide is divided into six sections as follows:

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If you have queries regarding the 2022 Industry Funding Regulations, please refer to the Frequently Asked Questions section in the Industry Funding Levy area of our website www.centralbank.ie or send an e-mail to fundingpolicy@centralbank.ie

Section 1 – Funding Strategy

The Central Bank continues to progress its funding strategy which aims to:

(i) Increase the proportion of costs chargeable to industry and reduce the burden of subvention on the taxpayer, with the ultimate aim of regulated firms paying the full cost of financial regulation activity;

(ii) Adopt principles which support a predictable, transparent and proportionate pricing approach; and

(iii) Reduce complexity and risk in the areas of funding policy and execution.

In line with this strategy, the 2022 invoices will be based on the Central Bank's actual costs of regulation in 2021. Invoices will issue in September 2022.

In some instances, additional subvention has been applied to Financial Regulation costs for 2021 to limit the impact of cost increases on industry. The headline recovery rates in the 2022 billing cycle will reflect the rates approved by the Minister for Finance in 2019 and communicated to industry bodies at that time.

Section 2 – Background to the 2022 Industry Funding Regulations

2.1 The Regulations referred to in this Guide are the Central Bank Act 1942 (Section 32D) Regulations 2022. The objective of the Regulations is to raise the agreed proportion (see Table 15 in Section 5) of the cost attributable to the Central Bank's financial regulation activities in 2021 directly from the ***regulated entities*** it regulates. Accordingly, the Regulations apply to all persons who are subject to regulation by the Central Bank.

2.2 The Government gave the power to raise such a levy to the ***Central Bank*** Commission under the Central Bank Reform Act, 2010. In accordance with legislation, the Minister for Finance has approved the 2022 Regulations.

2.3 The Regulations were signed into law by the Deputy Governor, Consumer & Investor Protection on 30 August 2022 and came into operation on 31 August 2022. As of that date, all ***regulated entities*** are liable to pay an annual levy. The levy must be paid no later than 28 days from the date on the levy invoice.

2.4 A ***regulated entity*** may hold more than one authorisation from the ***Central Bank*** and may, therefore, fall into more than one ***industry funding category***. In such cases, the ***regulated entity*** 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

2.5 The ***Central Bank*** sends almost all ***regulated entities*** 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 appropriate levy for its ***industry funding category*** in the Regulations. Any such ***regulated entity*** should request a copy levy invoice by email from **billing@centralbank.ie**.

2.6 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 ***regulated entity's*** expense. Full details for payment by EFT will be supplied on invoices.

2.7 If a ***regulated entity*** fails to pay the levy by the required date, the ***Central Bank*** may take steps to recover the amount of the levy. Recovery action may include court proceedings.

Supplementary Levies

2.8 Certain regulated entities will be required to pay an additional (or supplementary) levy to the ***Central Bank*** to fund the cost of a particular initiative or regulatory action. The purpose of supplementary levies is to re-charge costs attributable to specific firms where costs can be directly attributable to them in order to avoid imposing them on all firms in the ***Industry Funding Category***. Details of supplementary levies applicable in the 2022 Regulations are tabulated below:

Category	Applicable to	Costs to be funded by this levy
A	ELG Scheme Credit Institutions (see Section 4.1 below)	Cost of carrying out investigations relating to inquiries by the ***Central Bank*** under Part IIIC of the Central Bank Act, 1942.
	Relevant credit Institutions	Costs related to the ***Central Bank's*** investigation of tracker mortgage issues
	Credit institutions seeking significant changes to their business model and/or activities	While there is provision in the Regulations, no invoices will be raised under this heading in respect of 2021 financial regulation costs
D	Investment Firms subject to ***Client Asset Requirements***[1]	Costs attributable to the performance of the ***Central Bank's*** functions under the ***Client Asset Requirements***
D	Investment firms subject to Bank Recovery and Resolution Regulations (2015) [1]	Costs attributable to the performance of the ***Central Bank***'s functions as resolution authority under the European Union (Bank Recovery and Resolution) Regulations 2015

2.9 Such supplementary levy will be set out in a levy notice sent to the ***regulated entities*** concerned.

2.10 For Category A entities, supplementary levies apply on a full year basis even where the relevant entity is only authorised by the ***Central Bank*** for part of a year. For Category D entities, supplementary levies are based on duration of authorisation (i.e. full year/pro-rata).

Pro-Rata Levies

2.11 Each ***regulated entity*** will be liable to a levy for the portion of the year in respect of which it holds an authorisation from the ***Central Bank***. It follows that ***regulated entities*** authorised in 2021 are liable to a levy covering the period from date of authorisation to 31 December 2021.

2.12 Similarly, a ***regulated entity*** whose authorisation was revoked during the course of 2021 is liable to a levy covering the period 1 January 2021 to the date on which the relevant authorisation was revoked and are levied at the time of revocation.

Appeals and Waivers

2.13 Appeals must be submitted within 21 days of the due date of the levy contribution /supplemental levy contribution. This deadline will be strictly applied.

2.14 Any such appeal must

- set out in writing the grounds for the appeal and include all supporting documentation or representations; and
- be accompanied by a payment or a receipt evidencing payment of that portion of the levy contribution/supplementary levy contribution that is not under appeal.

2.15 Where, in the reasonable opinion of the ***Central Bank***, the obligation of a regulated entity to pay a levy contribution/supplementary levy would be likely to make that entity insolvent, or where the regulated entity/former regulated entity is a sole trader or, bankrupt, the ***Central Bank*** may waive the obligation of that entity under these regulations to pay the levy contribution /supplementary levy.

2.16 The ***Central Bank*** may, at its discretion, waive or reduce part/all of a levy contribution/ supplementary levy in exceptional circumstances.

2.17 The ***Central Bank*** shall advise the regulated entity in writing of its decision in respect of the appeal, providing reasons and details of any amount outstanding and the due date applicable for the payment of any outstanding levy liability.

Records

2.18 A ***regulated entity*** must keep all records on which the levy has been calculated for so long as the Regulations stipulate. Regulation 13 stipulates that this requirement is applicable for a period of six years.

Section 3 – Recovery Rates

3.1 In support of the Bank's funding strategy, the 2022 Regulations reflect agreed increases in recovery rates. The recovery rates communicated in 2019 are illustrated below and the rates applicable in the 2022 Regulations are highlighted in red.

3.2 Recovery rates are applied to each sector's share of Financial Regulation costs. In some instances, such costs may reflect approved subvention where the Central Bank has formed a view that it is appropriate to do so in order to meet its objectives of pricing on a basis that is proportionate, while balancing this against the burden that any additional subvention ultimately imposes on the taxpayer.

3.3 As can be seen from the table below, invoices for 2021 (to be levied in September 2022) will reflect full cost recovery from all Banks, Insurance Undertakings, Investment Firms, Fund Service Providers and Funds. Apart from Credit Unions, a recovery rate of 80% will apply to all other categories for 2021 which will move to 100% for levies issued in respect of calendar year 2024.

Recovery Rates to 2024	*Lookback and Outlook*							
Calendar Year →	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Levied in →	*2017*	*2018*	**2020**	**2021**	*2022*	*2023*	*2024*	*2025*
ELG Banks	*100%*	*100%*	*100%*	100%	100%	100%	100%	100%
Other Banks	*65%*	*80%*	*90%*	100%	100%	100%	100%	100%
Insurance Undertakings								
Investment Firms								
Fund Service Providers								
Funds	*65%*	*65%*	*80%*	90%	100%	100%	100%	100%
Retail Intermediaries & Debt Management Cos	*50%*	*65%*	*70%*	75%	80%	90%	100%	100%
High Cost Credit Providers	*65%*							
Approved Professional Bodies								
Bureau de Change/Money Transmitters								
Retail Credit/Home Reversion/Credit Servicing Firms								
Payment & E-Money Institutions								
Credit Unions	*.01% of total assets*		*20%*	35%	50%	TBC	TBC	TBC

Section 4 – Calculation of the Levy

4.1 Category A: Credit Institutions

Each credit institution in this category shall be liable to pay an Industry Funding Levy consisting of the sum of a minimum amount and a variable amount as set out in Table 1 below:

Table 1			
		Minimum Levy plus Variable Levy	
Credit Institutions		Minimum Levy	Variable Levy
A1	Irish authorised Credit Institutions (including relevant credit institutions authorised pursuant to section 9A of the Central Bank Act 1971	€172,783	**Variable Levy (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 2021[1]); **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 2021); **C=** the proportion of total variable amount for category **A1** The values of S, G and C relevant to their levy calculations will be communicated directly by the ***Central Bank*** to each credit institution.
	Note: The funding requirement relates principally to the recovery of 2021 costs but is adjusted for balancing items and deferred income from previous years and such other approved adjustments.		

Credit institutions within sub-categories A2 and A3 are obliged to pay a flat rate levy of €28,000 as set out in Table 2 below.

[1] For credit institutions whose year-end is October, data for the period 31 October 2021 will be used.

Table 2

Credit Institutions authorised in another EEA State		Minimum Levy Payable
A2	Credit Institutions authorised in another EEA state which have established a branch in Ireland.	€28,000.
A3	Credit Institutions authorised in another EEA state operating in Ireland on a Freedom of Services basis. No levy invoices will be issued.	

Credit Institutions – Supplementary levies

Credit institutions (where appropriate) will continue to be liable to pay supplementary levies to the ***Central Bank*** for the purposes of providing sufficient funds to recover costs arising from:

(i) the conduct of inquiries and investigations under Part IIIC of the Central Bank 1942;

(ii) tracker mortgage investigation and related issues; and

(iii) significant changes to business models and/or activities, where appropriate. No such charge arises in the Levy 2021 billing cycle.

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

4.2 Category B: Insurance Undertakings

Each of the following entities shall be liable to pay the levy contribution corresponding to its **impact category** as set out in the relevant tables below.

Table 3 – (Re) Insurance Undertakings authorised in Ireland

(Re)Insurance Undertakings		Levy payable per Impact Category: Ultra High	High	Medium High	Medium Low	Low
B1	Life Insurance undertakings as defined under the EU(Insurance and Reinsurance) Regulations 2015 with an Irish head office	€4,393,100	€1,993,369	€455,784	€90,608	€28,147
B4	Non-life insurance undertakings as defined under the EU(Insurance and Reinsurance) Regulations 2015 with an Irish head office					
B7	Reinsurance undertakings as defined under the EU(Insurance and Reinsurance) Regulations 2015 with an Irish head office					
B8	Branch in the State of a Third country insurance undertaking as defined under the EU(Insurance and Reinsurance) Regulations 2015					

Table 4 – Insurance Undertakings authorised in another EEA state

Insurance undertakings authorised in another EEA state		Gross Written Premium on Irish risk business or Flat Rate Levy: GWP > €100m	GWP €0-€100m	GWP >€50m	GWP €0m-€50m	Flat Levy
B2	Life insurance undertakings authorised in another EEA state which have established a branch in Ireland	€227,892	€21,110	N/A	N/A	N/A
B3	Life insurance undertakings authorised in another EEA state operating in Ireland on a Freedom of Services basis[2]	N/A	N/A	N/A	N/A	€21,110
B5a	Non-life insurance undertakings authorised in another EEA state which have established a branch in Ireland writing motor insurance	N/A	N/A	€227,892	€45,304	N/A
B5b	Non-life insurance undertakings authorised in another EEA state which have established a branch in Ireland not included in B5a	N/A	N/A	N/A	N/A	€21,110
B6	Non-life undertakings authorised in another EEA state operating in Ireland on a Freedom of Services basis	N/A	N/A	N/A	N/A	€21,110

[2] As insurance undertakings operating in Ireland on a Freedom of Services 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 as set out in Table 4 above.

Table 5 – Special Purpose Reinsurance Vehicles [3]		
		Minimum Levy plus Contribution per Arrangement
Special Purpose Reinsurance Vehicles (SPRV)		*Levy*
B9	Special Purpose Reinsurance Vehicles shall pay a minimum levy equivalent to 50% of that applied to Low impact undertakings in Category B (Insurance/ reinsurance undertakings authorised in Ireland) in respect of single and multiple arrangements.	€14,073
	Second and subsequent Special Purpose Reinsurance Vehicle arrangements shall be subject to a levy equivalent to one-third of the minimum levy payable in respect of single and multiple arrangements.	€4,691 per arrangement

4.3 Category C: Intermediaries and Debt Management Firms

Levies payable by intermediaries and debt management firms 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 firms will be calculated as set out in Table 6 below:

Table 6			
		Minimum Levy plus Variable Levy	
Intermediaries & Debt Management Firms		Minimum Levy	Variable Levy
C	Intermediaries (including Investment Product Intermediaries and Mortgage Intermediaries who hold authorisations under the Consumer Credit Act 1995) Mortgage Credit Intermediaries who hold authorisations under the European Union (Consumer Mortgage Credit Agreements) Regulations 2016 Insurance/Reinsurance Intermediaries registered under the EC (Insurance Mediation) Regulations 2005 Debt Management Firms authorised under the Central Bank Act, 1997	€950	**Variable Levy (V) is calculated as follows:** **(A - B) x 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 year ended 31 December 2020 which was due for submission to the Central Bank at end-June 2021 or the most recently received previous report from the firm. **B** = threshold level of total 'Income from Fees' and 'Income from Commissions' of €200,000; **C** = variable levy rate of 0.31%.

[3] Special purpose reinsurance vehicle is a "special purpose vehicle" as defined under the EU (Insurance and Reinsurance) Regulations 2015.

Notes:

Income from fees and income from commissions should be shown before deduction of any commission payable to a third party.

Intermediaries and debt management companies newly authorised 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 €950.

Intermediaries and debt management companies that fail 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***. Firms should ensure they complete their returns accurately and in accordance with the Guidance Manual to enable the recording of correct data on the Central Bank's system and support accuracy of levy calculations.

4.4 Category D: Investment Firms

A ***regulated entity*** falling within any of the below sub-categories of Investment Firms authorised by the ***Central Bank*** shall be liable to pay the levy corresponding to its ***impact category*** as set out in Table 7 below.

<table>
<tr><th colspan="6">Table 7</th></tr>
<tr><th colspan="2"></th><th colspan="4">Levy payable per Impact Category</th></tr>
<tr><th colspan="2">Investment Firms</th><th>High</th><th>Medium High</th><th>Medium Low</th><th>Low</th></tr>
<tr><td>D1</td><td>Designated Fund Managers</td><td rowspan="8">€1,648,902</td><td rowspan="8">€824,451</td><td rowspan="8">€163,897</td><td rowspan="8">€20,951</td></tr>
<tr><td>D2</td><td>Receipt and Transmission of Orders and/or Provision of Investment Advice</td></tr>
<tr><td>D3</td><td>Portfolio Management; Execution of Orders</td></tr>
<tr><td>D4</td><td>Own Account Trading; Underwriting on a Firm Commitment Basis</td></tr>
<tr><td>D5</td><td>Stock Exchange Member Firms</td></tr>
<tr><td>D6</td><td>Firms authorised under the Investment Intermediaries Act, 1995 that are not captured in any other levy category</td></tr>
<tr><td>D9</td><td>High Volume Algorithmic Trading Firms</td></tr>
<tr><td>D10</td><td>Market Infrastructure Firms</td></tr>
<tr><td>D11</td><td>Investment firms authorised in another EEA state which have established a branch in Ireland.</td><td colspan="3"></td><td>€20,951</td></tr>
</table>

CAR	Client Asset Levy: D1 to D10 as above, where subject to Client Asset Requirements (CAR) shall pay a supplementary levy	€496,807	€248,404	€49,381	€6,922
BRRD	BRRD Admin Levy: Investment Firms within the meaning of Regulation 3 of the European Union (Bank Recovery and Resolution) Regulations, 2015 shall pay a supplementary administration levy	€103,877	€102,453	€20,367	€10,184

4.5 Category E1: Investment Funds

As set out in Table 8 below, all investment funds structured either as single (standalone) funds or umbrella funds (with one sub-fund) authorised by the ***Central Bank*** shall be liable to pay a minimum levy of €7,165. In addition to the minimum levy of €7,165, umbrella funds with more than one sub-fund will also pay a contribution per sub-fund (including the first sub-fund) of €475 up to a maximum of twenty sub-funds, resulting in a maximum contribution for umbrella funds of €16,665 (i.e. minimum levy of €7,165 plus 20 x €475).

Table 8			
		Minimum Levy plus Contribution per Sub-fund	
Investment Funds		Minimum Levy (Single & Umbrella Funds with one sub-fund)	2-20 sub-funds (Umbrellas only)
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 (ICAV)	€7,165	€475 per sub-fund
E1b	UCITS Self-Managed Investment Companies (SMICs); UCITS Self-Managed ICAVs; Authorised Designated Investment Companies (Internally Managed Alternative Investment Funds); Authorised Irish Collective Asset-management Vehicles (Internally Managed AIF ICAVs);		

4.6 Category E2: Alternative Investment Fund Managers and Other Investment Fund Service Providers

An ***Investment fund service provider*** falling within sub-categories E2a, E2b and E2c and which has been authorised by the ***Central Bank*** shall be liable to pay the levy contribution corresponding to its ***impact category*** as set out in Table 9. All entities within sub-category E2d shall pay a flat rate levy of €20,951.

Table 9					
		Levy payable per Impact Category			
Investment Fund Service Providers		*High*	*Medium High*	*Medium Low*	*Low*
E2a	AIF Management Companies	€1,648,902	€824,451	€163,897	€20,951
E2b	Administrators; UCITS Managers (Non Delegating); Depositories; Alternative Investment Fund Managers				
E2c	UCITS Managers (Delegating)				
E2d	UCITS managers and alternative investment fund managers authorised in another EEA state which have established a branch in Ireland	All entities in this sub-category shall pay a flat rate levy of €20,951			

4.7 Category F: Credit Unions

A Credit Union is liable to pay a levy of 0.03022 per cent of total assets as reported in its quarterly prudential return setting out its balance sheet as at 31 December 2021.

As noted in Section 3.3, invoices for 2021 (to be levied in September 2022) will reflect full cost recovery from all banks, insurance undertakings, investment firms, fund service providers and funds. Apart from credit unions, a recovery rate of 80% will apply to all other categories for 2021 which will move to 100% for levies issued in respect of calendar year 2024. Given the phased and measured approach taken to increasing recovery rates for other sectors, the Central Bank proposes to gather views on further progress beyond 50% cost recovery for the credit union sector. The Central Bank proposes to issue a public consultation in late Q4 2022 / early Q1 2023, which will be published on the Central Bank's website.

4.8 Category G: Moneylenders

Levies payable by moneylenders are determined by the firms' turnover reported to the ***Central Bank*** in section 6.2 of the most recently received Renewal Application for the entity. The amount of the levy will be calculated as set out in Table 10 below:

Table 10			
		Minimum Levy plus Variable Levy	
Moneylenders		Minimum Levy	Variable Levy
G	Moneylenders	€1,920	**Variable Levy (V) is calculated as follows:** **(A - B) x C** **Where:** **A** = firms' turnover reported to the ***Central Bank*** in section 6.2 of the most recently received Renewal Application for the entity. **B** = threshold level of total 'Turnover' of €60,000; = **C** = variable levy rate of 1.178%.

4.9 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 11.

Table 11	
Impact Category	*Low*
Levy	€5,015

4.10 Category J: Bureaux de Change

Each bureau de change that has been authorised by the ***Central Bank*** shall be liable to pay the levy contribution corresponding to its ***impact category*** as set out in Table 12.

Table 12	
Impact Category	*Low*
Levy	€2,254

4.11 Category L: Default Assessment

Each ***regulated entity*** defined as a defaulting entity pursuant to Regulation 13(4) of the 2021 Regulations is liable to pay a flat rate levy of €3,600.

4.12 Category M: Retail Credit Firms, Home Reversion Firms and Credit Servicing Firms

Each retail credit firm, credit servicing firm and home reversion firm that has been authorised by the ***Central Bank*** shall be liable to pay the levy contribution corresponding to its ***impact category*** as set out in Table 13 below.

<table>
<tr><th colspan="3">Table 13</th></tr>
<tr><th colspan="2" rowspan="2">Retail Credit, Credit Servicing & Home Reversion Firms</th><th>Levy Payable per Impact Category</th></tr>
<tr><th>Low</th></tr>
<tr><td>M1</td><td>Retail Credit Firms</td><td rowspan="2">€60,727</td></tr>
<tr><td>M3</td><td>Credit Servicing Firms</td></tr>
<tr><td>M2</td><td>Home Reversion Firms</td><td>€4,525</td></tr>
</table>

A separate communication has issued recently to retail credit firms and credit servicing firms, an extract from it is as follows:

Increased regulatory scrutiny of the CSF/RCF sector

CSFs/RCFs play a key role in the retail banking landscape, which is expected to heighten further with the anticipated withdrawal of two pillar banks. As a result, the CSF/RCF sub sector has been, and will continue to be, subject to increased regulatory scrutiny across a number of areas, including, but not limited to, operational resilience and distressed debt. Furthermore, there have been significant changes to the CSF/RCF regulatory regime. In May 2022, the Consumer Protection (Regulation of Retail Credit and Credit Servicing Firms) Act 2022 *(the 2022 Act) was enacted. Arising from the 2022 Act, a number of policy amendments were required including those arising from the Consumer Protection Code 2012, the Minimum Competency Code 2017, and the Minimum Competency Regulations 2017. Arising from this increased regulatory scrutiny, required policy amendments and the increase in the number of new CSFs/RCFs which now require authorisation, which necessitates the allocation of additional resources to regulate the CSF/RCF sub sector, the associated cost of regulating the CSF/RCF sub sector has increased.*

Impact of increased regulatory scrutiny on CSF/RCF levy invoices for 2021, 2022 and 2023

In light of the increased regulatory scrutiny of the CSF/RCF sub sector, as outlined above, the associated industry levy for CSFs and RCFs has increased in 2021. Given this increase in costs in 2021, the Central Bank has taken the decision to defer part of the 2021 funding levy and collect it in two equal instalments in levy 2022 and levy 2023. This is to ease pressure on firms and allow time to plan for increases over the next two levy cycles. The levy for 2021 is €60,727 and reflects a part deferment of €25,634[4] in order to ease pressure on firms.

4.13 Category N: Payment Institutions and E-Money Institutions

Each payment and e-money institution that has been authorised by the ***Central Bank*** shall be liable to pay a levy combining a flat rate and variable element calculated according as set out in Table 14 below.

<table>
<tr><th colspan="4">Table 14</th></tr>
<tr><th colspan="2"></th><th colspan="2">Minimum Levy plus Variable Levy</th></tr>
<tr><th colspan="2">Payment & E-Money Institutions</th><th>Minimum Levy</th><th>Variable Levy</th></tr>
<tr><td rowspan="3">N</td><td>Payment Institutions</td><td rowspan="3">€5,000</td><td rowspan="3">Variable Levy (V) is calculated as follows:

A = B/C

Where:
A = Variable Levy Rate % (i.e. firm’s % share of Total Value of Transactions processed by all firms)

B = Value of Transactions processed by the firm as reported in On-Line Returns to the Bank for year ended 31 December 2021

C = Total Value of Transactions processed by all firms as reported in On-Line Returns to the Bank for year ended 31 December 2021

An Explanatory Memorandum will be included with invoices to all firms to provide guidance on how the invoice total has been calculated.</td></tr>
<tr><td>E-Money Institutions</td></tr>
<tr><td>An Post (in its capacity as a Payment Service Provider)</td></tr>
<tr><td colspan="4">In addition to the Minimum and Variable levies as above, any firms with a risk rating of ‘Ultra High’ from an Anti-Money Laundering / Combating the Financing of Terrorism perspective will be required to pay the €5,000 Minimum Levy above and a separate flat fee of €375,000</td></tr>
</table>

[4] 2021 net Annual Funding Requirement includes a reduction of €1.1 million in retail credit firms, which is deferred income to be recouped in the next 2 levy cycles

Section 5 – Financial Information for Industry Sectors

Cost of Financial Regulation in 2021

5.1 The 2021 Annual Report sets out an adjusted[5] cost of financial regulation activities of €216.5 million, an increase of €3.8 million (+1.8%) on the 2020 outturn of €212.7 million.

5.2 For the 2022 invoicing cycle, all levies will be based on 2021 actual costs and include adjustments for prior year balances and specific treatments of certain items e.g. pensions, approved subvention of any unusual items.

5.3 From 2015-2019, pension accounting charges were smoothed in order to reduce levy volatility. However, an assumption at the time that the low yield environment was a temporary phenomenon has given rise to a growing deferred income asset (income recognised but not yet collected). The deferred income asset will be recouped over a three-year period. The current 2022 billing cycle (2021 actual costs) is the second year in which these costs will be recouped.

As noted in the 2020 Industry Funding Guide, the Central Bank has moved from smoothed accounting charges to actual cash contribution rates as a basis for calculating financial regulation costs.

5.4 Subvention of unusual items again features in the final rates for certain categories this year. Subvention is applied only in specific circumstances where, in the Central Bank's judgement, warranted relief. Details of all the components and values of subvention are tabulated in 5.6 below.

5.5 The ***Net Annual Funding Requirement (nAFR)*** for the 2021 levy cycle of €193.8 million (2020 €186.5 million[6]) takes account of:

- Increases in recovery rates in line with the trajectory published in 2019;
- A deficit of €0.2 million which mainly arose between the amount collected from the 2020 levy and the 2020 actual cost attributable to Industry; and
- Subvention mainly in relation to authorisation costs in the payment institutions category.

[5] Adjusted to reflect treatment of pension costs in the levy calculation process (as set out in 5.3 above)
[6] 2019 actual levy income

5.6 Subvention of €24.6 million is attributable to the following costs, which are not being recovered within the scope of the 2022 Regulations:

	Subvention	€m
1	Markets Supervision: In line with established policy, funding of certain market supervision activities results in subvention of €9.8 million.	9.8
2	Credit Union sector: recovery rate of 50% results in subvention of €6.0 million.	6.0
3	Payment and E-Money Institutions: This category has increased substantially in recent years and additional subvention of €3.9million (2020: €3.0 million) has been applied to ease pressure on upward movement in levy rates until the regulatory environment stabilises. Consistent with its strategy that industry should pay, the Central Bank plans to phase out additional subvention in Levy 2022 or Levy 2023.	3.9
4	Other categories in transition to 100% Funding: based on recovery rates in the 2022 Regulations, the shortfall requires subvention of €3.3 million.	3.3
5	Administrative Sanctions Process: On-going funding of enquiries which commenced prior to 1 January 2018 gives rise to subvention of €1.2 million.	1.2
6	Professional Fees adjustments: Minor subvention included for the INBS legal fees incurred in 2021 of €0.2 million.	0.2
7	Minor additional subventions: Applied to contain the impact of rate increases on small populations : - Bureau de Change €219k (2020: €225k) -Approved Professional Bodies €21.9k (2020: nil)	0.2
	Total	**24.6**

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

5.7 The ***gross Annual Funding Requirement (gAFR)*** is calculated by applying the target recovery rate for each sector (see 3.1 earlier) to the cost of regulating that sector.

Table 15			
Industry Funding Category	Category	2021 Recovery Rate	2020 Recovery Rate
ELG Credit Institutions	A1	100%	100%
Other Credit Institutions	A1, A2, A3	100%	100%
Insurance Undertakings	B	100%	100%
Retail Intermediaries and Debt Management Firms	C	80%	75%
Investment Firms	D	100%	100%
Client Asset Requirements	D	100%	100%
BRRD Admin Levy	D	100%	100%
Funds	E1	100%	90%

Fund Service Providers	E2	100%	100%
Credit Unions	F	0.03022% of Total Assets, an effective rate of c50%	0.02313% of Total Assets, an effective rate of c35%
Moneylenders	G	80%	75%
Approved Professional Bodies	H	80%	75%
Bureaux de Change	J	80%	75%
Retail Credit, Home Reversion and Credit Servicing *Firms (See footnote 7)*	M	80%	75%
Payment and E-Money Institutions	N	80%	75%

5.8 In order to determine the amount that must be collected from industry in respect of 2021 costs, an adjustment is made for the shortfall from the prior year and deferred pension income (per 5.3 above). The adjusted balancing shortfall of €0.2 million and deferred pension income of €6.0 million have increased the amount to be collected from industry in 2021.

5.9 Subvention – Subvention details are set out in section 5.6

5.10 The ***Net Annual Funding Requirement (nAFR)*** for the 2021 levy cycle is €193.8 million, of which €3.9 million has already been billed and €1.1 million[7] is deferred. The remaining balance to be collected from industry is €188.8 million, which will be invoiced in the upcoming billing process – See Appendix 1 (numbers rounded).

Calculation of Levy rates for individual *regulated entities*

5.11 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. They also include pay, non-pay and overhead costs associated with divisional management and with those specialist horizontal functions who provide expert advice and support relating to particular ***industry funding categories***.

5.12 A series of policies govern how costs are aggregated and allocated to industry categories. These policies are subject to annual review by a Levy Oversight Group and approval of the Deputy Governor of Prudential Regulation.

[7] Deferred Income relating to the retail credit firms category to be recouped in the next 2 levy cycles

5.13 The basis for calculating levies within each ***industry funding category*** is set out in Table 16:

Table 16			
Industry Funding Categories	Levy Type	Ref	Basis for Distribution of Costs across firms within each of these categories
• Insurance/Reinsurance Undertakings • Investment Firms • Fund Service Providers • Firms subject to Client Asset Requirements • Firms subject to BRRD Admin Levy	PRISM Based	4.2 4.4 4.6 4.4 4.4	Based on relative allocations of the supervisory resources attributable to the ***Industry Funding Category*** concerned
• Credit Institutions • Retail Intermediaries & Debt Management Firms • Moneylenders • Investment Funds • Credit Unions • Payment and E-Money Institutions	Based on firm metrics	4.1 4.3 4.8 4.5 4.7 4.13	Application of calculation formula to relevant metric
• Approved Professional Bodies • Bureaux de Change • Retail Credit/Home Reversion/Credit Servicing Firms	Flat Rate	4.9 4.10 4.12	Allocated equally among the firms in each of these categories

Appendix 1 – Comparison of 2020 and 2021 *Net Annual Funding Requirement (nAFR)*

Industry Sector	Description	2020 nAFR	2021 nAFR	Variance
		€'000	€'000	€'000
A1	Irish authorised Credit Institutions admitted to the ELG Scheme 2009 and their subsidiaries	25,832	25,566	-266
A1/A2	Irish authorised Credit Institutions (other than those in A1a) and EEA Branches	40,288	41,196	908
A	Supplementary Levy for Credit Institutions	10,080	9,171	-909
B	Insurance/Reinsurance Undertakings	49,366	50,231	865
C	Intermediaries and Debt Management Firms	5,244	4,357	-887
D/E2	Investment Firms and Investment Fund Service Providers	35,166	36,969	1,803
E1	Investment Funds	10,526	12,250	1,724
F	Credit Unions	4,539	6,040	1,501
G	Moneylenders	779	588	-191
H	Approved Professional Bodies	10	10	0
J	Bureaux de Change	17	16	-1
M	Retail Credit/Home Reversion/Credit Servicing Firms[8]	2412	2744	332
N	Payment Institutions & E-Money Institutions	2,211	3,588	1,377
	Total	**186,470**	**192,726**	**6,256**
	Less Pro Rata authorisation and revocation Levies Issued	-2,018	-3,897	-1,879
	Total Amount to be raised	**184,451**	**188,829**	**4,378**

[8] 2021 nAFR includes a reduction of €1.1 million in retail credit firms, which is deferred income to be recouped in the next 2 levy cycles.

Appendix 2 – Population of Each Industry Sector

Industry Sector	Description	2020 No. of Entities	2021 No of Entities	Change #	Change %
A1	Irish authorised Credit Institutions	20	18	(2)	(10.0)%
A2	Credit Institution - EEA Branch	27	28	1	3.7%
B1 B4 B7	Insurance Life - Irish Head Office Insurance Non - Life Irish Head Office Reinsurance	183	176	(7)	(3.8%)
B2 B5	Insurance Life - EEA Branch Insurance Non Life - EEA Branch	26	24	(2)	(7.7%)
C	Intermediaries and Debt Management Companies	2,264	2,165	(99)	(4.4)%
D1, D2, D3, D4, D6	Securities & Investment Firms	86	82	(4)	(4.7)%
D5	Member Firms of the Irish Stock Exchange	5	5	-	-
D9	High Volume Algorithmic Traders	2	2	-	-
D10	Market Infrastructure Firms	8	8	-	-
D11	Investment Firm – EEA Branch	17	12	(5)	(29.4%)
E1	Investment Funds	1,262	1,283	21	1.7%
E2a, E2b, E2c	Investment Fund Service Providers	224	208	(16)	(7.1)%
E2d	Investment Fund Service Providers – EEA Branch	9	10	1	11.1%
F	Credit Unions	227	212	(15)	(6.6%)
G	Moneylenders	36	32	(4)	(11.1)%
H	Approved Professional Bodies	2	2	-	-
J	Bureaux de Change	8	7	(1)	(12.5)%
M	Retail Credit Firms, Home Reversion Firms and Credit Servicing Firms	49	42	(7)	(14.3)%
N	Payment & E-Money Institutions	32	39	7	21.9%

Appendix 3 – Glossary

Central 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 the requirements imposed on investment business firms and investment firms pursuant to Section 52 of the Investment Intermediaries Act 1995 (No. 11 of 1995), or client asset requirements imposed on regulated financial service providers pursuant to the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) (Investment Firms) Regulations 2017 [S.I. No. 604 of 2017] or pursuant to any amending or replacing legislation The Requirements are designed to protect and safeguard client assets (consisting of funds and financial instruments) which a regulated financial service provider, in the course of providing investment services, holds on behalf of clients.

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

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 relevant proportion (see Table 15, Section 5.7) of the cost of 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***). 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 recent ***On-Line Regulatory Return.***

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 4 for further details.

Low Impact regulated entities 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.

A **Markets Infrastructure Firm** is a ***regulated entity*** that either operates a trading platform or 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 and their failure, (if managed properly), should not derail the financial system or wider economy.

Medium Low Impact regulated entities are typically 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 prior year balances and other items which have been approved for inclusion in assumptions which underpin the annual levy process.

On-Line Regulatory Return is the return that must be completed by certain types of ***regulated entities*** and submitted to the ***Central Bank*** by means of a secure web based system. The amount and type of information that the ***Central 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 ***Central 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 ***regulated entities*** 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 ***Central 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 ***regulated entities.*** In Ireland, the regulator is the ***Central Bank*** of Ireland.

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.