



How does the Central Bank of Ireland fund itself?



This is a transcript of our animated explainer video: “How does the Central Bank of Ireland fund itself?”

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Alex: Hey Tony. Lunch in the sun, aw, there’s nothing like it.

Tony: Yeah. Just a quick sandwich before I get back to the grindstone.

Alex: Or before those seagulls get it first!

Tony: Well I suppose we all have to make a crust somehow.

Alex: Very true.

Tony: Speaking of making a crust, how do you guys in the Central Bank pay for all of the work you do?

Alex: Well Tony, the Central Bank of Ireland is independent and we fund our work in a number of ways. Here, let me show you.

Firstly, just like other central banks, we hold a large investment portfolio of assets, including government bonds, deposits, gold and other financial assets.

We manage this portfolio carefully to help maximise returns while minimising risk.



Traditionally, most of the money to invest in the portfolio comes from something called “seigniorage”.

Tony: Seigniorage. What’s that?

Alex: Aw, I know it sounds funny but it comes from an old French word, which relates to the banknotes in your pocket.

Basically, seigniorage is investment income we make from the difference between the cost of issuing banknotes, and how much the notes are actually worth.

We also carry out other activities that give us an income.

For example, we act as a bank for the Government and other banks, and we invest in assets with the other central banks of the countries that use the euro as their currency.

We also collect money annually from banks and other regulated financial firms through a “funding levy”.

Now, this levy exists to make sure that the financial industry pays most of the costs associated with regulating and supervising it.

At the end of every year, we calculate how much profit or loss we make from our investment portfolio and from our other activities.

By law, we can retain up to 20% of the profit we make, which we use to pay for our work and add to our financial reserve.

Tony: And what happens to the other 80%?

Ah, we pay this money directly to the Government so it can be used to benefit the people of Ireland.

So in a way Tony, it goes straight back to you.

Tony: Well that’s certainly an interesting way to make a crust!