Banc Ceannais na hÉireann
Central Bank of Ireland
Eurosystem

Funding Strategy and Guide to the 2021 Industry Funding Regulations

Contents

Summary

This publication is intended to provide a guide to the Industry Funding Regulations for 2021 which have been set to recover industry's share of 2020 Financial Regulation costs.

The guide is divided into six sections as follows:

If you have queries regarding the 2021 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 2021 invoices will be based on the Central Bank's actual costs of regulation in 2020. Invoices will issue in October.

In some instances, subvention has been applied to Financial Regulation costs for 2020 to limit the impact of cost increases on industry. The headline recovery rates in the 2021 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 2021 Industry Funding Regulations

2.1 The Regulations referred to in this Guide are the Central Bank Act 1942 (Section 32D) Regulations 2021. The objective of the Regulations is to raise the agreed proportion (see Table 17 in Section 5) of the cost attributable to the Central Bank's financial regulation activities in 2020 directly from the financial service providers 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 2021 Regulations.

2.3 The Regulations were signed into law by the Deputy Governor Prudential Regulation on 21 September 2021 and came into operation on 24 September 2021. 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.

2.4 A ***financial service provider*** 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 ***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

2.5 The ***Central 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 appropriate levy for its ***industry funding category*** in the Regulations. Any such ***financial service provider*** 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 ***financial service provider's*** expense. Full details for payment by EFT will be supplied on invoices.

2.7 If a ***financial service provider*** 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 2021 Regulations are tabulated below:

Category	Applicable to	Costs to be funded by this levy
A	ELG Scheme Credit Institutions (see Section 4.1 below)[1]	Cost of carrying out investigations relating to inquires that may be held 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 activitie	Costs associated with the consideration of such proposals
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 ***financial service providers*** 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*** only 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 ***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 ***Central Bank***. It follows that ***financial service providers*** authorised in 2020 are liable to a levy covering the period from date of authorisation to 31 December 2020.

2.12 Similarly, a ***financial services provider*** whose authorisation was revoked during the course of 2020 is liable to a levy covering the period 1 January 2020 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 ***financial service provider*** 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 2021 Regulations reflect agreed increases in recovery rates. The recovery rates communicated in 2019 are illustrated below and the rates applicable in the 2021 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.

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 significant supervised entities within the meaning of the SSM Framework Regulation (Regulation EU) No. 468/2014 of the European Central Bank (ECB/2014/17)) – which were admitted to the Eligible Liabilities Guarantee Scheme 2009 ("the ELG Scheme Institutions")	€154,352	**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 2020[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 2020); **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 2020 costs but is adjusted for balancing items and deferred income from previous years and such other approved adjustments.		

[1] For credit institutions whose year-end is October, data for the period 31 October 2020 will be used.

Credit institutions within sub-categories A2 and A3 are obliged to pay a flat rate levy of €27,000 as set out in Table 2 below.

Table 2		
Credit Institutions authorised in another EEA State		Minimum Levy Payable
A2	Credit Institutions authorised in another EEA state or the UK operating in Ireland on a branch basis	€27,000.
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 examination, investigation and related issues; and

(iii) significant changes to business models and/or activities

These 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 – Insurance Undertakings with Irish head offices

		Levy payable per Impact Category				
Insurance Undertakings		*Ultra High*	*High*	*Medium High*	*Medium Low*	*Low*
B1	Life undertakings with Irish head office and life insurance undertakings authorised in another non-EEA state operating in Ireland	€4,244,931	€1,926,137	€440,412	€87,552	€27,197
B4	Non-life undertakings with Irish head office					
B7	Reinsurance undertakings with Irish head office					

Table 4 – Insurance Undertakings authorised in another EEA state

		Gross Written Premium on Irish risk business or Flat Rate Levy				
Insurance Branches authorised in another EEA state		GWP > €100m	GWP €0-€100m	GWP >€50m	GWP €0m-€50m	Flat Levy
B2	Life undertakings authorised in another EEA state operating in Ireland on a branch basis	€220,206	€20,398	N/A	N/A	N/A
B3	Life undertakings authorised in another EEA state operating in Ireland on a Freedom of Services basis*	N/A	N/A	N/A	N/A	€20,398
B5a	Non life insurance undertakings authorised in another EEA state operating in Ireland on a branch basis that write motor insurance in Ireland	N/A	N/A	€220,206	€43,776	N/A
B5b	Non life insurance undertakings authorised in another EEA state operating in Ireland on a branch basis that is not included in B5a	N/A	N/A	N/A	N/A	€20,398
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	€20,398

*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.

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 companies will be calculated as set out in Table 5 below:

Table 5				
		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)	€1,025	**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 2019 which was due for submission to the Central Bank at end-June 2020 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 0.33%.	
	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			

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 €1,025.

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***.

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 6 below.

Table 6

		Levy payable per Impact Category			
	Investment Firms	*High*	*Medium High*	*Medium Low*	*Low*
D1	Designated Fund Managers	€1,675,756	€837,878	€166,567	€21,292
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				
D5	Stock Exchange Member Firms				
D6	Firms authorised under the Investment Intermediaries Act, 1995 that are not captured in any other levy category				
D9	High Volume Algorithmic Trading Firms				
D10	Market Infrastructure Firms				
D11	Investment firms authorised in another EEA state or the UK operating in Ireland on a branch basis.				€21,292
CAR	Client Asset Levy: D1 to D10 as above, where subject to Client Asset Requirements (CAR) shall pay a supplementary levy	€567,545	€283,772	€56,412	€7,908
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	€162,000	€159,779	€31,763	€15,882

4.5 Category E1: Investment Funds

As set out in Table 7 below, all investment funds authorised by the ***Central Bank*** shall be liable to pay a minimum levy of €6,320. Umbrella funds will also pay a contribution per sub-fund of €475 up to ten sub-funds and a further levy of €315 on sub-funds numbers greater than ten, to a maximum of twenty sub-funds, resulting in a maximum contribution for umbrella funds of €14,220.

Table 7

		Minimum Levy plus Contribution per Sub-fund		
	Investment Funds	Minimum Levy (Single & Umbrella Funds	2-10* sub-funds (Umbrellas only)	11-20* 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)	€6,320	€475 per sub-fund	€315 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 8. All entities within sub-category E2d shall pay a flat rate levy of €21,292.

<table>
<tr><th colspan="6">Table 8</th></tr>
<tr><th colspan="2"></th><th colspan="4">Levy payable per Impact Category</th></tr>
<tr><th colspan="2">Investment Fund Service Providers</th><th>High</th><th>Medium High</th><th>Medium Low</th><th>Low</th></tr>
<tr><td>E2a</td><td>AIF Management Companies</td><td rowspan="3">€1,675,756</td><td rowspan="3">€837,878</td><td rowspan="3">€166,567</td><td rowspan="3">€21,292</td></tr>
<tr><td>E2b</td><td>Administrators;
UCITS Managers (Non Delegating);
Depositories;
Alternative Investment Fund Managers</td></tr>
<tr><td>E2c</td><td>UCITS Managers (Delegating)</td></tr>
<tr><td>E2d</td><td>UCITS managers and alternative investment fund managers authorised in another EEA state operating in Ireland as such on a branch basis</td><td colspan="4">All entities in this sub-category shall pay a flat rate levy of €21,292</td></tr>
</table>

4.7 Category F: Credit Unions

A Credit Union is liable to pay a levy of 0.02313 per cent of total assets as reported in its quarterly prudential return setting out its balance sheet as at 31 December 2020.

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 9 below:

Table 9			
		Minimum Levy plus Variable Levy	
Moneylenders		Minimum Levy	Variable Levy
G	Moneylenders	€1,905	**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 1.169%.

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 10.

Table10	
Impact Category	*Low*
Levy	€4,204

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 11.

Table 11	
Impact Category	*Low*
Levy	€2,080

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 12 below.

Table 12		
Retail Credit, Credit Servicing & Home Reversion Firms		Levy Payable per Impact Category
		Low
M1	Retail Credit Firms	€43,280
M3	Credit Servicing Firms	
M2	Home Reversion Firms	€4,114

4.13 Category N: Payment Institutions and E-Money Institutions

Up to 2019, the methodology for calculating levies payable by Payment Institutions and E-Money Institutions applied a banded or tiered approach to pricing, using thresholds to distinguish between firms based on size and risk. The completion of a review of the Central Bank's Payment Institutions and E-Money Institutions Impact PRISM models in 2020 resulted in changes in impact categories. This presented an opportunity to review the levy methodology to ensure that regulatory costs are recovered in a manner that is proportionate to the size and risk of firms, that threshold effects are addressed and to take account of different business models and the separate and significant prudential, conduct and anti-money laundering / terrorist financing risks (AML /CTF) that can apply.

With this in mind, the Central Bank published CP 137 in February 2021 proposing a new methodology for calculating levies payable by Payment Institutions and E-Money Institutions. 2021 Industry Funding Regulations now provide that firms in this category will be charged a levy comprising of a flat fee (determined annually) and a variable element based on the total value of annual transactions. The charging structure will be reflective of the prudential, conduct and AML/CTF risks attributable by the Central Bank to each firm. The consultation paper and subsequent feedback statement can be viewed here: https://www.centralbank.ie/regulation/how-we-regulate/fees-levies/industry-funding-levy

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 12 below.

Table 12			
		Minimum Levy plus Variable Levy	
Payment & E-Money Institutions		Minimum Levy	Variable Levy
N	Payment Institutions E-Money Institutions	€5,000	**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 2020 **C** = Total Value of Transactions processed by all firms as reported in On-Line Returns to the Bank for year ended 31 December 2020 An Explanatory Memorandum will be included with invoices to all firms to provide guidance on how the invoice total has been calculated.
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			

Section 5 – Financial Information for Industry Sectors

Cost of Financial Regulation in 2020

5.1 The 2020 Annual Report sets out an adjusted[2] cost of financial regulation activities of €212.7 million, an increase of €8.2 million (+4.0%) on the 2019 outturn of €204.5 million. A key driver here is a change in treatment of pension costs – see 5.3 below.

5.2 For the 2021 invoicing cycle, all levies will again be based on 2020 actual costs and include adjustments to reflect, for instance, prior year balances, specific treatment 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). 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. The deferred income asset will be recouped over a three-year period commencing with the current 2021 billing cycle (2020 actual 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 amount to be raised from Industry in the 2021 invoicing cycle (nAFR[3]) of €184.5 million (2019 €160.1 million[4]) takes account of:

- Increases in recovery rates in line with the trajectory published in 2019;
- A deficit of €3.3 million which arose between the amount collected from the 2019 levy and the 2019 actual cost attributable to Industry; and
- Subvention mainly in relation to exceptional Brexit-related authorisation activity.

5.6 Subvention of €30.8 million is attributable to the following costs which are not being recovered within the scope of the 2021 Regulations:

[2] Adjusted to reflect treatment of pension costs in the levy calculation process (as set out in 5.3 above)
[3] Net Annual Funding Requirement
[4] 2019 actual levy income

Subvention		€m
1	Markets Supervision: In line with established policy, funding of certain market supervision activities results in subvention of €8.8 million.	8.8
2	Credit Union sector: recovery rate of 35% results in subvention of €8.4 million and an additional €62k related to 2019 deficit to ensure costs included in the calculation of levies for this category are limited to the scope outlined in the CU Act 1997.	8.5
3	Other categories in transition to 100% Funding: based on recovery rates in the 2021 Regulations, the shortfall requires subvention of €4.5 million.	4.5
4	Investment firms and Fund Service Providers (IFFSPs) and Client Assets: • Subventing costs associated with a high profile enforcement case to avoid imposing firm-specific costs on the pool. The fine was remitted in full to the Exchequer: €834k • A move from 'Medium high' to 'High' impact category for a firm, which received late notice of this change, and so the firm will be billed as 'Medium High': €838k. • The costs of a MiFIR reporting team which are traditionally subvented through market supervision costs, this practice will continue for levy 2020: €800k. • Brexit: To avoid imposing costs of new authorisations on the existing pool, €934k on this category and €400k on the related 'Clients Assets' category.	3.8
5	Payment and E-Money Institutions: This category has increased substantially in recent years and gives rise to subvention of €3million, subvention was applied last year and may be required for a number of levy cycles to follow until populations stabilise	3.0
6	Administrative Sanctions Process: On-going funding of enquiries which commenced prior to 1 January 2018 gives rise to subvention of €2 million	2.0
7	Minor additional subventions: Applied to contain the impact of rate increases on small populations - Bureau de Change (€225k)	0.2
	Total	**€30.8**

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 14			
Industry Funding Category	Category	2020 Recovery Rate	2019 Recovery Rate
ELG Credit Institutions	A1	100%	100%
Other Credit Institutions	A1, A2, A3	100%	90%
Insurance Undertakings	B	100%	90%
Retail Intermediaries and Debt Management Firms	C	75%	70%
Investment Firms	D	100%	90%
Client Asset Requirements	D	100%	90%
BRRD Admin Levy	D	100%	90%
Funds	E1	90%	80%
Fund Service Providers	E2	100%	90%
Credit Unions	F	0.02313% of Total Assets, an effective rate of c35%	
Moneylenders	G	75%	70%
Approved Professional Bodies	H	75%	70%
Bureaux de Change	J	75%	70%
Retail Credit, Home Reversion and Credit Servicing Firms	M	75%	70%
Payment and E-Money Institutions	N	75%	70%

5.8 In order to determine the amount that must be collected from industry in respect of 2020 costs – the 2020 ***nAFR*** – an adjustment is made for balancing positions from the prior year. The adjusted balancing shortfall is €3.3 million and the required amount to be collected from industry in 2020 has been increased accordingly.

5.9 The net movement on unpaid levies of €1.7m is included in this shortfall. The final unpaid levies figure for 2020 is €2.9m. 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.

5.10 Subvention – Subvention details are set out in section 5.6

5.11 The amount to be collected from industry in 2021 is €186.6 million of which €2.0 million has already been billed, leaving a balance of €184.5 million to be invoiced in the upcoming billing process – See Appendix 1 (numbers rounded).

Calculation of Levy rates for individual *Financial Service Providers*

5.12 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***.

5.13 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.

5.14 The basis for calculating levies within each ***industry funding category*** is set out in Table 15:

Table 15			
Industry Funding Categories	Levy Type	Ref	Basis for Distribution of Costs across firms within each of these categories
• Insurance 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	Formula Driven	4.1 4.3 4.8 4.5 4.7 4.13	Application of relevant formula
• 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

Section 6 – Appendices

Appendix 1 – Comparison of 2019 and 2020 *Net Annual Funding Requirement (nAFR)*

Industry Sector	Desription	2019 nAFR	2020 nAFR	Variance
		€'000	€'000	€'000

A1	Irish authorised Credit Institutions admitted to the ELG Scheme 2009 and their subsidiaries	26,948	25,832	(1,116)
A1/A2	Irish authorised Credit Institutions (other than those in A1a) and EEA Branches	36,631	40,288	3,657
A	Supplementary Levy for Credit Institutions	9,673	10,080	407
B	Insurance Undertakings	42,501	49,366	6,865
C	Intermediaries and Debt Management Firms	6,693	5,244	(1,449)
D/E2	Investment Firms and Investment Fund Service Providers	27,270	35,166	7,896
E1	Investment Funds	8,360	10,526	2,166
F	Credit Unions	2,770	4,539	1,769
G	Moneylenders	772	779	7
H	Approved Professional Bodies	8	10	2
J	Bureaux de Change	12	17	5
M	Retail Credit/Home Reversion/Credit Servicing Firms	2,410	2,412	2
N	Payment Institutions & E-Money Institutions	1,711	2,211	500
	Total	**165,760**	**186,470**	**20,711**
	Less Pro Rata authorisation and revocation Levies Issued	(5,625)	(2,018)	3,607
	Total Amount to be raised	**160,135**	**184,451**	**24,316**

Appendix 2 – Population of Each Industry Sector

Industry Sector	Description	2019 No. of Entities	2020 No of Entities	Change #	Change %
A1	Irish authorised Credit Institutions	20	20	0	0%
A2	Credit Institution - EEA Branch	27	27	0	0
A3	Credit Institution – authorised in another EEA State and operating in Ireland under Freedom of Services	-	-	-	-
B1 B4 B7	Insurance Life - Irish Head Office Insurance Non - Life Irish Head Office Reinsurance	193	183	(10)	(5.2%)
B2 B5	Insurance Life - EEA Branch Insurance Non Life - EEA Branch	41	26	(15)	(36.6%)
C	Intermediaries and Debt Management Companies	2,202	2264	62	2.8%
D1, D2, D3, D4, D6	Securities & Investment Firms	79	86	7	8.9%
D5	Member Firms of the Irish Stock Exchange	6	5	(1)	(16.7%)
D9	High Volume Algorithmic Traders	2	2	-	-
D10	Market Infrastructure Firms	6	8	2	33.3%
D11	Investment Firm – EEA Branch	18	17	(1)	(5.6%)
E1	Investment Funds	1,254	1262	8	0.64%
E2a, E2b, E2c	Investment Fund Service Providers	221	224	3	1.4%
E2d	Investment Fund Service Providers – EEA Branch	6	9	3	50%
F	Credit Unions	242	227	(15)	(6.2%)
G	Moneylenders	35	36	1	2.9%
H	Approved Professional Bodies	3	2	(1)	(33.3%)
J1	Bureaux de Change	9	8	(1)	11.1%
M	Retail Credit Firms, Home Reversion Firms and Credit Servicing Firms	28	49	21	75%
N	Payment & E-Money Institutions	15	32	17	113.3%

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 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.

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 relevant proportion (see Table 14 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:

(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 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 ***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 ***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 ***financial service providers.*** In Ireland, the regulator is the ***Central Bank*** of Ireland.

Significant Institution: A credit institution 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.