

The Investor Compensation Company DAC

Funding Consultation Feedback Statement

Issue date 30 June 2026

List of abbreviations used in this paper

Consultation Paper	ICCL Funding Consultation Paper (December 2025)
ICCL	Investor Compensation Company DAC
The Scheme	Investor Compensation Scheme
RER	Risk Equalisation Rule

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1 Executive Summary

In this Feedback Statement, the ICCL sets out its final decisions following consultation on proposed changes to the funding arrangements, which include the Annual Levy and Risk Equalisation Rule (RER) for the Irish Investor Compensation Scheme (the Scheme).

Overall, consultation responses were broadly supportive, with no material objections raised to most proposals. As a result, ICCL intends to proceed largely as outlined in the Consultation Paper, with implementation to be phased from 1 August 2026 through to 1 August 2028.

For Fund A, ICCL confirmed a target cascade capacity of €200 to €300 million, combining reserves and insurance. ICCL is targeting reserves of €100 million, at the upper end of the reserves target range of €50 million to €100 million, to be reached by July 2029. In addition, insurance capacity is targeted at €200 million, which will be within the insurance target range of €100 million to €250 million. Collectively, these targets seek to ensure that the upper threshold of the aggregate target (€300 million) can be achieved.

For Fund A, a short-term change from 1 August 2026 will involve the adjustment of the levy tapering effect for larger firms (i.e. those firms with eligible client numbers exceeding 75,000) to better reflect the potential exposure to the Scheme presented by such firms. This will be followed by the introduction of a hybrid levy model from 1 August 2028 with levies calculated based on two components – eligible client numbers and a firm's direct measure of exposure. The hybrid approach will initially weight levies 90% on eligible client numbers and 10% on exposure, with a commitment to review the weighting once operational experience of the hybrid approach is gained. Data collection through enhanced ICCL Return 2 reporting will support this transition to the hybrid model.

For Fund B, ICCL will seek to maintain the existing capacity target of €38 million, comprising reserves of €28 million and insurance of €10 million, reflecting the historically low claims experience. Concerns emerged through the consultation process regarding the proportionality of collecting additional exposure-related data from all Fund B firms. ICCL has therefore decided not to implement more comprehensive data collection. Instead, ICCL will explore alternative more targeted approaches ahead of the next funding review while retaining the current levy banding and aligning levies more closely with Fund B operating costs.

ICCL intends to publish updated Funding Arrangements in early July 2026.

2 Responses to the questions posed on each proposal

(I) RECOMMENDATION (1) – FUND A (CAPACITY)

The ICCL proposed to adjust how it establishes cascade capacity. Based on the analysis undertaken, ICCL considered that a €200m–€300m target Fund A capacity would be appropriate. The analysis was based on evidence of past compensation costs, exposure of the population of covered firms, and scenarios that may arise in the future, and the proposal sought to strike the right balance between the guiding principles as outlined in the Consultation Paper.

Views were sought in respect of the recommendation.

Feedback received:

The responses received did not indicate any concerns with the proposed adjustments to how ICCL establishes cascade capacity for Fund A, while a respondent explicitly agreed with the proposed target fund capacity.

ICCL Response:

The ICCL welcomes the feedback received and intends to proceed with the implementation of recommendation (1) as set out in the Consultation Paper.

(II) RECOMMENDATION (2) FUND A (CAPACITY AND ALLOCATION)

The ICCL proposed a reserves target at a range of €50m–€100m within the Fund A cascade capacity target range of €200m-€300m. Specifically, ICCL proposed that it should attain the upper-bound of the reserves range of €100m by July 2029.

ICCL also proposed an insurance target at a range of €100m–€250m within the overall Fund A cascade capacity target range of €200m-€300m. On the basis that ICCL proposed to achieve the €100m upper bound of the reserves target, ICCL also proposed that the €200m of insurance would be required to attain the €300m cascade capacity.

Views were sought in respect of the recommendation.

Feedback received:

The responses received did not indicate any concerns with the proposed target ranges for Fund A reserves and insurance capacity. Furthermore, there were no material observations on ICCL's proposal to achieve the upper-bound of the Fund A reserves range of €100m by July 2029, while at the same time aligning insurance capacity at €200m, within the range of €100m - €250m. A respondent explicitly agreed with the proposed target ranges for both reserves and insurance.

ICCL Response:

The ICCL welcomes the feedback received and intends to proceed with the recommendation (2) as set out in the Consultation Paper.

(III) RECOMMENDATION (3) FUND B (CAPACITY AND ALLOCATION)

ICCL proposed that a target Fund B capacity at €38m was adequate currently.

ICCL proposed to maintain reserves at €28m within the Fund B cascade capacity target of €38m.

ICCL proposed to maintain an insurance target of €10m within the Fund B cascade capacity target of €38m.

Views were sought in respect of the recommendation.

Feedback received:

The responses received did not indicate any concerns with the proposed target for Fund B reserves and insurance capacity. A respondent noted the low historic cost of claims on Fund B and suggested the target was more than sufficient.

ICCL Response:

The ICCL welcomes the feedback received and intends to proceed with the recommendation (3) as set out in the Consultation Paper.

(IV) RECOMMENDATION (4) FUND A (TAPER REDUCTION)

ICCL proposed to address the identified weakening relationship between potential exposure and the levy paid at the bands for firms with greater than 75,000 eligible clients (Band 11+) by adjusting the relevant levy rates. The adjustment would introduce a steeper progression by increasing the levy increment amount for bands 11 and above by a set percentage (20%). This adjustment would reduce the observed tapering effect on levies for the largest firms without eliminating it entirely.

Views were sought in respect of the recommendation.

Feedback received:

The responses received did not indicate any concerns with the proposed taper reduction adjustments for firms with greater than 75,000 eligible clients (Band 11+). A respondent explicitly agreed with the recommended adjustment.

ICCL Response:

The ICCL welcomes the feedback received and intends to proceed with the implementation of recommendation (4) as set out in the Consultation Paper. The implementation of this recommendation should be read in the context of the implementation of recommendation (6) as set out in the Consultation Paper. As ICCL also intends to implement recommendation (6), the taper adjustment is **only proposed to be applied for the funding years commencing August 2026 and August 2027**, after which, the taper adjustment would be disapplied and replaced with a hybrid levy based on eligible clients and exposure metrics. (Refer to recommendation (6) below for further details).

(V) RECOMMENDATION (5) FUND A (RETURN 2)

To support the introduction of a direct measure of exposure into the banding structure, ICCL proposed to collect the existing ICCL Return 2 data, at each calendar quarter instead of solely at the calendar year end. In that context, ICCL also proposed that ICCL Return 2 (containing each quarters data) would only be submitted once per year with the first collection of this data proposed for the calendar year 1 January 2027 – 31 December 2027 (i.e. the first Return 2 containing four calendar year quarters would be made up to 31 December 2027 and submitted to ICCL in January 2028).

Views were sought in respect of the recommendation.

Feedback received:

The responses received agreed with and supported the proposed enhancements to ICCL Return 2, and the proposed timeline for introduction.

ICCL Response:

The ICCL welcomes the feedback received and intends to proceed with the implementation of recommendation (5) as set out in the Consultation Paper.

(VI) RECOMMENDATION (6) FUND A (HYBRID BANDING)

ICCL proposed the introduction of a hybrid banding approach to Fund A levies with effect from 1 August 2028. This would replace the tapered approach (set out under recommendation 4) that would be introduced as an interim measure. ICCL proposed to weight the annual levy requirement 90% on the eligible client basis, and 10% on theoretical exposure basis. ICCL also proposed that it would review the approach at a future date and determine whether the weighting should be modified.

Views were sought in respect of the recommendation.

Feedback received:

The responses received were in favour of the proposed introduction of a hybrid banding approach to Fund A levies. A respondent suggested that the exposure element of the levy should represent more than 10% of the annual levy weighting and suggested further risk sensitivity could be achieved through enhanced banding of eligible clients based on bands of exposure.

ICCL Response:

The ICCL welcomes the feedback received and intends to proceed with the implementation of recommendation (6) as set out in the Consultation Paper.

ICCL notes the suggestion that a higher weighting could be applied to the exposure element of the annual levy, however, as set out in the Consultation Paper, ICCL considers that this more fundamental change to the basis of assessment warrants a phased and measured approach. ICCL intends to review the outcome of the first application of the hybrid approach and determine whether the weighting should be modified at a future date.

(VII) RECOMMENDATION (7) – FUND A (RER LINK TO EXPOSURE)

ICCL proposed to establish a new RER formula for Fund A firms to replace covered assets with exposure values, as set out in the formula below.

$$RER = Target\ cash\ reserves * \frac{Firm\ additional\ exposure - Threshold}{ICCL\ Total\ Fund\ A\ exposure}$$

ICCL proposed to apply a threshold at which an RER levy obligation is triggered at €1,000m based on firm additional exposure values.

Views were sought in respect of the recommendation.

Feedback received:

The responses received were generally in favour of the proposed new RER formula for Fund A firms. A respondent sought clarification on how the proposal interacted with the current Scheme arrangements, specifically in relation to the operation of the threshold, some relief-based elements for annual levy obligations, and whether transitional arrangements may apply for firms that previously undertook RER in-scope transactions.

ICCL Response:

The ICCL welcomes the feedback received and intends to proceed with the implementation of recommendation (7) as set out in the Consultation Paper.

ICCL notes the requests for clarification regarding the operation of the threshold and can advise of the following arrangements which will be set out in more detail in the Funding Arrangements document[1]:

- The RER threshold of €1bn will reset for all firms for the forthcoming funding cycle (August 2026 to July 2029) and will be a threshold available to each firm for the funding cycle.
- Transactions initiated under the existing RER rule (up to 31 July 2026) will continue to be implemented in accordance with the provisions of that RER rule until they have concluded at their third and final lookback (referred to as RER_3).

One respondent suggested that the entire annual levy obligations are discharged where RER-levies have been paid. However, as previously

[1] ICCL intends to publish final Funding Arrangements in early July 2026

communicated during the 2024 RER-specific consultation and feedback, the annual levy is required to address other ongoing Scheme costs besides the ex-ante fund requirement including operating costs, and/or fund rebuilding costs linked to failure cases.

The RER-related relief applied to the annual levy will be retained for the period 1 August 2026 to 31 July 2028. In the context of the move to a hybrid annual levy model (refer to recommendation 6) with effect from 1 August 2028, the annual levy relief will be expanded to facilitate relief from both components of the hybrid element of the annual levy. That is, relief from the eligible client and the exposure-based components of the annual levy. ICCL will update ICCL Return 4 to ensure the necessary exposure data is available to operate the relief from the exposure-based component of the annual levy.

ICCL acknowledges and has considered the submissions received regarding the interaction with the revised RER and the possibility of transitional arrangements for firms that were previously subject to the RER, whether for future transactions or otherwise. However, the proposed RER reforms form part of a broader move to a more evidence and risk-based funding framework. The revised RER approach has been designed to be internally consistent with this new framework and with the way target reserves and cascade capacity will be set in future funding cycles.

The Board is mindful that it is appropriate to maintain a forward-looking perspective, keeping under review both the concentration of exposure within individual firms and the equitable distribution of the costs of maintaining adequate reserves across the wider industry. The design of the RER, particularly the calibration of thresholds, is ultimately a matter of judgment informed by the Board's risk tolerance. Introducing transitional arrangements at this time could interfere with important judgments taken by the Board, including its risk tolerance attaching to the newly increased threshold. While adjustments to thresholds may be considered as part of internal annual reviews, and, future funding cycles, any such changes involve trade-offs and may change levy impacts for firms undertaking asset migrations in the future.

Having carefully considered these points, ICCL does not consider transitional arrangements for the RER to be justified and remains satisfied that the proposed approach represents a proportionate, consistent and forward-looking mechanism, designed and implemented in alignment with the statutory objectives of the scheme.

(VIII) RECOMMENDATION (8) – FUND B (DATA COLLECTION)

ICCL sought views from Fund B participants on the feasibility of collecting eligible client numbers from all Fund B firms to facilitate the estimation of an outer bound of exposure for Fund B.

Views were sought in respect of the recommendation.

Feedback received:

The responses received all identified concerns with a more comprehensive collection of eligible client number data for Fund B firms on the basis that it would impose additional compliance and administrative burdens that are not proportionate to the actual risk posed. There is consensus among respondents that Fund B exposure is perceived as low with one respondent pointing to historically low levels of claims. A representative body suggests that the existing turnover-based bands already provide a reasonable proxy for risk. The key alternative positions differ in emphasis, ranging from questioning whether Fund B firms should contribute to the Scheme at all, to accepting that data collection may be justified in limited circumstances but only through targeted, risk-based approaches rather than a broader requirement.

ICCL Response:

The ICCL welcomes the feedback received and notes the concerns of respondents. ICCL welcomes the observation suggesting a more targeted and risk-appropriate approach may be feasible.

ICCL intends to explore, in collaboration with relevant stakeholders where possible, targeted approaches to data collection to support the objective of Fund B exposure assessment such that an assessment of exposure may be undertaken for the next Funding Review.

(IX) RECOMMENDATION (9) – FUND B (LEVY REQUIREMENT AND APPORTIONMENT BASIS)

ICCL proposed to retain the existing levy banding approach to Fund B levies. ICCL also proposed to align the annual levy requirement for Fund B firms as closely as possible with the ongoing operational costs for Fund B.

Views were sought in respect of the recommendation.

Feedback received:

The responses received diverged in views, with one respondent opposed to any levy obligation for Fund B firms, while a Representative Body favoured the proposed move to more closely align the annual levy obligation with the operating costs of Fund B.

ICCL Response:

The ICCL welcomes the feedback received and intends to proceed with the implementation of recommendation (9) as set out in the Consultation Paper.

ICCL does not agree with the view of the respondent that suggested levies paid by Fund B firms are used to cross-subsidise Fund A. All levies paid by Fund B firms, are applied to Fund B only. Any costs of compensation arising for a Fund are met solely from the reserves of that Fund in accordance with the requirements of the Investor Compensation Act, 1998.

3 Implementation plan and related matters

As set out in the Consultation Paper and above in this feedback statement, the revised funding proposals will be implemented on the following timeline:

Changes Effective 1 August 2026

Area	Key Change	Notes
Fund A – Capacity	€200m–€300m target confirmed	Applies from start of new funding cycle
Fund A – Capacity Allocation	Updated reserves and insurance structure	€100m reserves / €200m insurance level to be reviewed on renewal for 1 October
Fund A – Taper reduction	Interim levy adjustment	**Time-limited: expires 31 July 2028**
Fund A – RER linked to exposure	New RER formula	Existing in-flight[2] RERs continue under RER rule in place when initiated. RER transactions initiated from 1 August 2026 under new RER formula
Fund B – Capacity & Allocation	€38m target confirmed	€28m reserves / €10m insurance
Fund B – Levy basis	Existing banding retained	Levy aligned to Fund B operating costs

Phased Changes (2027–2028)

Effective Date	Key Change	Notes
1 Jan 2028	Fund A – Return 2 (enhanced reporting)	First submission in Jan 2028 covering 2027 quarterly data
1 Aug 2028	Fund A – Hybrid Banding	90% eligible clients / 10% exposure
1 Aug 2028	RER Levy relief expansion	Relief applies to both client and exposure elements

[2] RER transactions that have not reached the lookback date RER_3 at 31 July 2026.

Not Implemented (for now)

Area	Status	Next Step
Fund B – Data collection	Not proceeding as proposed	Targeted, risk-based options to be explored from 2027

Payment Terms & Discounts

- **Payment terms**
  - Annual levies: **35 days** (Aug 2026–July 2027)
  - Alignment to **30 days deferred until 1 August 2027**
- **Discounts (unchanged for 2026–2029)**
  - 5% (capped at €25) for **Single Direct Debit**
  - 5% (capped at €25) for **e-invoicing**

4 Conclusion

The ICCL welcomes the engagement of industry and representative bodies during the Funding Consultation process. ICCL remains committed to open engagement with our stakeholders and we recognise the past contributions and continuing commitment from investment firms to ensure that the Irish Investor Compensation Scheme continues to meet its statutory funding obligations.

The ICCL will issue new Funding Arrangements in early July 2026 which will set out more details on the levy arrangements for the Funding Cycle 1 August 2026 to 31 July 2029, including the levy rates that will apply for the funding period 1 August 2026 to 31 July 2027.

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