



The Investor Compensation Company DAC

Funding Arrangements of the Investor Compensation Scheme

August 2026 to July 2029

Issue date 30 June 2026

LIST OF ABBREVIATIONS USED IN THIS PAPER

ICCL	THE INVESTOR COMPENSATION COMPANY DAC
THE SCHEME / ICS	INVESTOR COMPENSATION SCHEME
THE BANK	CENTRAL BANK OF IRELAND
THE BOARD	THE BOARD OF THE ICCL
THE ACT	INVESTOR COMPENSATION ACT, 1998 (AS AMENDED)
THE DIRECTIVE / ICSD	INVESTOR COMPENSATION SCHEME DIRECTIVE 97/9/EC
EU	EUROPEAN UNION
MIFID	MARKETS IN FINANCIAL INSTRUMENTS DIRECTIVE
AIF	ALTERNATIVE INVESTMENT FUNDS
UCITS	UNDERTAKINGS FOR COLLECTIVE INVESTMENTS IN TRANSFERABLE SECURITIES
CAR	CLIENT ASSET REQUIREMENTS

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1 Introduction

1.1. Background

The Investor Compensation Company DAC (ICCL) is required by the Investor Compensation Act, 1998 (No. 37 as amended) to maintain sufficient funds to meet 'reasonably foreseeable' obligations. Aligned with its 2024-2028 Strategy, the ICCL initiated a holistic review of funding arrangements during 2025 with the objective of identifying any appropriate and/or necessary adjustments to the ICCL funding model to ensure that it remains sustainable while also being adaptable to future market developments.

In this context, the ICCL commissioned Oxera Consulting LLP (Oxera) to assist with the development of an evidence and risk-based funding model. The approach taken was based on an analysis of a range of evidence including:

- quantitative and qualitative data provided by the ICCL.
- data from the Central Bank of Ireland (the Bank).
- publicly available evidence from desk-based research.
- Oxera's experience of compensation scheme funding models in other jurisdictions, and examples of good practice.

The evidence was, in turn, used in a range of ways to inform recommendations.

A set of guiding principles (economic, legal, distributional and implementation) used to evaluate different design options for the funding model were established in collaboration with ICCL. These informed a comparison of different funding models on a like-for-like basis and were the basis for assessing which funding model is optimal and thus which changes to the current model were appropriate.

While there are limitations to doing so, considering past compensation events both in Ireland and in other jurisdictions provided useful insights. This was supplemented by considering how forward-looking events might be different. In particular, consideration of the nature of future events that might trigger ICCL compensation.

Data from the ICCL and the Bank allowed the development of a number of quantitative scenarios showing the potential payouts in the event of compensation events triggered by firms (or groups of firms) of different sizes.

Between December 2025 and January 2026, ICCL, having consulted with the Bank, as the Competent Authority in Ireland for the Investor Compensation Directive (97/9/EC) ('the Directive' or 'ICSD') then consulted with Industry and Representative Bodies on a range of proposals. All participating firms are authorised by the Bank or their respective Approved Professional Bodies to provide investment business services.

Overall, consultation responses were broadly supportive, with no material objections raised to most proposals. As a result, ICCL is proceeding largely as outlined in the Funding Consultation Document (Consultation Paper), with implementation to be phased from 1 August 2026 through to 1 August 2028. The ICCL has also issued a Feedback Statement to the Consultation Paper which is published on the ICCL's website.

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.

These new Funding Arrangements set out the detail of 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.

As the environment within which the ICCL operates can evolve quite quickly, the ICCL will keep the evidence and analysis underpinning the Cascade Capacity under review on a regular basis. ICCL will conduct internal reviews on an annual basis based on updated data. On a triennial basis, ahead of the end of each funding cycle, ICCL will commission an external review of the Funding Arrangements. The triennial review will assess the overall approach to funding of the scheme, including the approach to target capacity, the use of additional metrics and datapoints, and whether the approach to levy apportionment and the level of the levy payments remain appropriate.

FUND A

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. (Refer to Table 3 for more details)

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.

Further detail for Fund A firms is set out in section 2.1.

FUND B

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.

Further detail for Fund B firms is set out in section 2.2.

This document also provides other information which the ICCL considers relevant and useful to participant firms in understanding the funding operations of the Scheme.

1.2. Related documents

- 1.2.1. *Funding Consultation Document – December 2025*
- 1.2.2. *Funding Consultation Feedback Statement – June 2025*
- 1.2.3. *ICCL Returns for Fund A Participant Firms – April 2024*

These documents are available on www.investorcompensation.ie

2 Fund Specific Information

2.1. Fund A

2.1.1. Levy types

The ICCL has 3 levies that may be payable by a Fund A firm, dependant on circumstances:

- 2.1.1.1. The annual levy, which is applicable to all Fund A participant firms.
- 2.1.1.2. The Risk Equalisation Levy (RER) to address situations where the quantum of assets covered by the ICS and the ICCL Cascade Model would be significantly increased following the transfer of a book of business to an existing investment firm or any transfer, restructuring or other arrangement leading to such an increase.
- 2.1.1.3. An ex-post¹ levy or “Top-up levy”, which would only be deployed in exceptional circumstances by the Board, to support reserve levels following a significant call on the reserves arising from a material compensation event.

2.1.2. Basis of Assessment

The ICCL will continue to operate a self-assessment model for participant firms to determine the appropriate annual levy for each firm.

For the Funding Period 1 August 2026 to 31 July 2028

The annual levy payable by a Fund A firm will continue to be based upon two criteria:

- 2.1.2.1. Whether the firm is subject to the Bank’s Client Asset Requirements [“CAR”] (In circumstances where a firm is subject to the CAR, and, it also has eligible clients, the firm will continue to pay an additional levy of 10% to reflect this increased risk).
- 2.1.2.2. Its number of eligible clients. (Guidance in relation to the assessment of eligible clients is published on the ICCL website and may be subject to update).

¹ Ex-post means “after the event” or funded on an actual cost basis

For the Funding Year 1 August 2028 to 31 July 2029

The annual levy payable by a Fund A firm will change to be based upon three criteria:

- 2.1.2.3. Whether the firm is subject to the Bank's Client Asset Requirements ["CAR"] (In circumstances where a firm is subject to the CAR, and, it also has eligible clients, the firm will continue to pay an additional levy of 10% to reflect this increased risk).
- 2.1.2.4. Its number of eligible clients. (Guidance in relation to the assessment of eligible clients is published on the ICCL website and may be subject to update)
- 2.1.2.5. Its theoretical exposures (Guidance in relation to the assessment of theoretical exposures is published on the ICCL website and may be subject to update).

The ICCL may engage with the Bank to confirm the number of eligible clients or theoretical exposures returned by participant firms to the ICCL. These returns may then be subject to verification by the Bank as part of its ongoing supervisory process. (Refer to 3.6 and 3.7.2 below)

2.1.3. Period of Assessment

The period of assessment will continue to be the participant firm's financial year which ended immediately prior to the commencement of the ICCL funding year. (e.g. where a participant firm's financial year ends on 31 March, this eligible client data should be used for the ICCL Funding Year commencing on the following 1 August.)

2.1.4. Levy Band Structure

The existing eligible client banding ranges, which determine the levy rates applicable to Fund A firms, will be retained. However, as set out in proposal 4 of the Consultation Paper, there is a flattening in the levy-to-exposure relationship at the upper end of the distribution.

ICCL intends to address this by introducing a hybrid approach to levy banding whereby firms are banded according to the number of eligible clients, and separately by the level of theoretical exposure (e.g. as reported in Return 2). The total levy that each firm pays would then be broken down into two elements, and the relative weighting set by ICCL. (Funding Consultation proposal 6 refers)

ICCL cannot implement the hybrid banding approach immediately as ICCL needs to collect data on the theoretical maximum exposure of Fund A firms measured over time rather than at a single point in time. Practically, firms will be required to report exposure calculated as of multiple points in the year (e.g. quarterly), while retaining the existing formula in Return 2. The ICCL will collect this data return (containing four quarters data), once a year, to reduce the administrative burden on firms.

In order to ensure that firms have adequate time to implement any necessary changes to their data capture and reporting processes, Return 2 will continue to be collected in its current format (measured at a single point in time) for the year ending 31 December 2026 (collected in Q1 of 2027). The enhanced approach for Return 2 will commence for the year ending 31 December 2027 (collected in Q1 of 2028) whereby firms will submit the updated Return 2 with the four quarters data. (Funding Consultation proposal 5 refers)

In the period 1 August 2026 to 31 July 2028, ICCL will recalibrate the levy-to-exposure relationship at the upper end of the distribution (Funding Consultation proposal 4 refers), before implementing the hybrid banding approach from 1 August 2028. The hybrid banding would apply a weighting of 90% towards eligible client numbers, and 10% towards the theoretical exposure.

2.1.5. Levy Rates

The levy rates for participant firms for the funding year commencing on 1 August 2026 are set out in Table 1 below.

Levy rates for the funding year commencing on 1 August 2027 will be calculated and published during June 2027.

Levy rates for the funding year commencing on 1 August 2028 will be calculated and published during June 2028.

TABLE 1 - FUND A: LEVY RATES FOR THE FUNDING YEAR COMMENCING**1 AUGUST 2026**

Band	Number of eligible clients	August 2026 to July 2027 Not subject to "CAR"	August 2026 to July 2027 Subject to "CAR"
0	Zero	€1,490	€1,490
1	1 – 49	€5,520	€6,070
2	50 – 749	€8,270	€9,100
3	750 – 2,499	€16,550	€18,210
4	2,500 – 4,999	€27,580	€30,340
5	5,000 – 9,999	€38,610	€42,470
6	10,000 – 19,999	€49,640	€54,600
7	20,000 – 29,999	€60,670	€66,740
8	30,000 – 39,999	€71,700	€78,870
9	40,000 – 49,999	€82,740	€91,010
10	50,000 – 74,999	€93,770	€103,150
11	75,000 – 99,999	€101,490	€111,640
12	100,000 – 124,999	€109,210	€120,130
13	125,000 – 149,999	€116,930	€128,620
14	150,000 – 174,999	€124,660	€137,130
15	175,000 – 199,999	€132,380	€145,620
16	200,000 – 224,999	€140,100	€154,110
17	225,000 – 249,999	€147,820	€162,600
18	250,000 – 274,999	€155,540	€171,090
19	275,000 – 299,999	€163,270	€179,600
20	300,000 – 324,999	€170,990	€188,090
21	325,000 – 349,999	€178,710	€196,580
22	350,000 – 374,999	€186,430	€205,070
23	375,000 – 399,999	€194,150	€213,570
24	400,000 – 424,999	€201,880	€222,070
25	425,000 – 449,999	€209,600	€230,560

26	450,000 – 474,999	€217,320	€239,050
27	475,000 – 499,999	€225,040	€247,540
28	500,000 – 524,999	€232,760	€256,040
29	525,000 – 549,999	€240,490	€264,540
30	550,000 – 574,999	€248,210	€273,030
31	575,000 – 599,999	€255,930	€281,520
32	600,000 – 624,999	€263,650	€290,020
33	625,000 – 649,999	€271,370	€298,510
34	650,000 – 674,999	€279,100	€307,010
35	675,000 – 699,999	€286,820	€315,500
36	700,000 – 724,999	€294,540	€323,990
37	725,000 – 749,999	€302,260	€332,490
38	750,000 – 774,999	€309,980	€340,980
39	775,000 – 799,999	€317,710	€349,480
40	800,000 – 824,999	€325,430	€357,970
41	825,000 – 849,999	€333,150	€366,470
42	850,000 – 874,999	€340,870	€374,960
43	875,000 – 899,999	€348,590	€383,450
44	900,000 – 924,999	€356,320	€391,950
45	925,000 – 949,999	€364,040	€400,440
46	950,000 – 974,999	€371,760	€408,940
47	975,000 – 999,999	€379,480	€417,430
48	1,000,000 – 1,024,999	€387,200	€425,920
49	1,025,000 – 1,049,999	€394,930	€434,420
50	1,050,000 – 1,074,999	€402,650	€442,920

2.1.6. Risk Equalisation Rule

ICCL is implementing a new RER formula for Fund A firms to replace covered assets with exposure values, as set out in the formula below. This approach aligns with the risk-based approach that is a core feature of the revised cascade capacity model.

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

For the funding cycle 1 August 2026 to 31 July 2029, ICCL is applying a threshold of €1,000m, based on firm additional exposure values, at which an RER levy obligation is triggered.

ICCL will retain the optional alternative payment mechanism whereby, at the request of the firm subject to the RER, a minimum initial RER payment of 25% of the estimated asset migration would be required within 30 days of the initial transfer (RER₀). Additional payments would arise at each 12-month lookback date. A firm subject to the RER, if it elected to stagger its payments, would therefore discharge its RER liability over up to four payment dates (broadly speaking, over a three-year period). However, if a firm does not elect for the alternative payment mechanism, the firm would continue to make the full payment at RER₀ and continue to pay any additional lookback amounts arising at RER₁, RER₂ and RER₃.

Definitions

Target Cash Reserves (TCR)	Currently €100 million
Firm additional exposure (FAE)	The theoretical maximum exposure introduced during the RER transaction (i.e. in-scope eligible client assets after applying the per client compensation limits of 90% or €20,000, whichever is lower)
Threshold	Currently €1,000 million
ICCL Total Fund A exposure (TFAE)	The total Fund A theoretical maximum exposure used when setting the Target Cash Reserves

RER₀ is the Initial Risk Equalisation Levy amount

RER₁ is the 1st Risk Equalisation Levy lookback amount

RER₂ is the 2nd Risk Equalisation Levy lookback amount

RER₃ is the 3rd Risk Equalisation Levy lookback amount

Y₀ Initial transfer date

- P₀** Initial payment (due 30 days from Y₀)
- Y₁** Initial transfer date + 12 months
- P₁** Look-back payment 1 (due 30 days from Y₁)
- Y₂** Initial transfer date + 24 months
- P₂** Look-back payment 2 (due 30 days from Y₂)
- Y₃** Initial transfer date + 36 months
- P₃** Look-back payment 3 (due 30 days from Y₃)

RER Formula (without optional alternative payment mechanism)

$$\begin{aligned} \mathbf{RER}_0 &= \{ \{ \{ \text{FAE}^{Y_0} \text{ minus } \text{€1,000m}^2 \} / \text{TFAE} \} * \text{TCR} \} \\ \mathbf{RER}_1 &= \{ \{ \{ \text{FAE}^{Y_1} \text{ minus } \text{€1,000m} \} / \text{TFAE} \} * \text{TCR} \} \text{ minus } \sum \mathbf{RER}_0 \\ \mathbf{RER}_2 &= \{ \{ \{ \text{FAE}^{Y_2} \text{ minus } \text{€1,000m} \} / \text{TFAE} \} * \text{TCR} \} \text{ minus } \sum \{ \mathbf{RER}_0 + \mathbf{RER}_1 \} \\ \mathbf{RER}_3 &= \{ \{ \{ \text{FAE}^{Y_3} \text{ minus } \text{€1,000m} \} / \text{TFAE} \} * \text{TCR} \} \text{ minus } \sum \{ \mathbf{RER}_0 + \mathbf{RER}_1 + \mathbf{RER}_2 \} \end{aligned}$$

RER Formula (with optional alternative payment mechanism)

$$\begin{aligned} \mathbf{RER}_0 &= \{ \{ \{ \text{FAE}^{Y_0} \text{ minus } \text{€1,000m}^3 \} / \text{TFAE} \} * \text{TCR} \} * 25\% \\ \mathbf{RER}_1 &= \{ \{ \{ \text{FAE}^{Y_1} \text{ minus } \text{€1,000m} \} / \text{TFAE} \} * \text{TCR} \} * 50\% \text{ minus } \sum \mathbf{RER}_0 \\ \mathbf{RER}_2 &= \{ \{ \{ \text{FAE}^{Y_2} \text{ minus } \text{€1,000m} \} / \text{TFAE} \} * \text{TCR} \} * 75\% \text{ minus } \sum \{ \mathbf{RER}_0 + \mathbf{RER}_1 \} \\ \mathbf{RER}_3 &= \{ \{ \{ \text{FAE}^{Y_3} \text{ minus } \text{€1,000m} \} / \text{TFAE} \} * \text{TCR} \} * 100\% \text{ minus } \sum \{ \mathbf{RER}_0 + \mathbf{RER}_1 + \mathbf{RER}_2 \} \end{aligned}$$

RER Transactions that were initiated pre-31 July 2026

Firms that initiated RER transactions under the RER that was in place until 31 July 2026 should note the following two clarifications:

- 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 RER₃).
- The RER threshold of €1,000 million 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.

² The RER threshold of €1,000m 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.

³ The RER threshold of €1,000m 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.

2.1.7. RER Annual Levy Relief

Fund A firms, that undertake a transaction that is in-scope for the RER, with effect from 1 August 2026, will be eligible to reduce their number of eligible clients, for the annual levy, by the number of eligible clients which were in-scope for the RER transaction.

For each ICCL funding year during which a firm is subject to the RER, when submitting the value of "FAE" to enable calculation of the Initial Risk Equalisation Levy (RER_0) (and/or) the Lookback Risk Equalisation Levy 1 (RER_1) and/or Lookback Risk Equalisation Levy 2 (RER_2) and/or Lookback Risk Equalisation Levy 3 (RER_3), the firm will advise the ICCL of the number of eligible clients to which the "FAE" projected or known covered assets related to.

To avail of the RER annual levy relief, the firm will need to submit ICCL Return 4 which requires the firm to report both its total eligible client number and the number of eligible clients that were in-scope for the RER during the firm's financial year which ended immediately prior to the commencement of the ICCL's funding year. This period will not align with the RER periods (unless the RER initial transfer was on the first date of the firm's financial year) so it will create an additional reporting requirement for firms.

Return 4 will be updated to align with the new data points necessary for both calculating the RER and to enable the provision of the annual levy relief(s).

This control is necessary to ensure, on completion of the RER lookback periods, that the number of excluded RER clients from the annual levy process aligns with the number of clients returned during the RER process.

The relief can only be claimed in three consecutive funding years during the application of the RER and associated lookback period. This is to prevent a firm obtaining four years of relief which could otherwise occur due to the timing of an RER transaction whereby a firm's RER transaction could straddle four funding years. In such circumstances, a schedule of funding years to which the Annual Levy relief can be claimed will be considered by the ICCL and the firm will be notified by the ICCL which three years relief will be applied against.

2.1.8. Section 2(5) Exemption

Certain Fund A firms may be exempt from the ICCL Scheme if they satisfy both of the criteria set out in section 2(5) of the Investor Compensation Act, 1998, (as amended) ["the Act"].

Section 2(5)(a) is satisfied where a firm does not meet the definition of an investment firm under the Investor Compensation Directive (i.e. the firm is not authorised in accordance with the Markets in Financial Instruments Directive (Directive 2014/65/EU) or Capital Requirements Directive CRD IV (Directive 2013/36/EU)).

Section 2(5)(b) is satisfied where the **only** activities that the firm is authorised to carry on under the Investment Intermediaries Act 1995 (as amended) are either:

- Administration of collective investment schemes, and/or,
- Undertaking custodial responsibilities involving the safekeeping and administration of investment instruments of or relating to collective investment schemes.

ICCL will apply the exemption automatically for each funding year based on authorisation data published by the Central Bank of Ireland. There is no requirement for a firm to apply for the exemption. Where a firm meets the criteria for the first time during a funding year and has paid an ICCL annual levy in respect of that funding year, the firm may be eligible to a pro-rata refund (refer to section 3.8).

A guidance note in relation to the exemption is available from the ICCL on request.

2.2. Fund B

2.2.1. Basis of Assessment

The ICCL will continue to operate a self-assessment model for participant firms to determine the appropriate individual annual levy. The annual levy payable by a Fund B firm is based on its income derived from regulated investment and insurance business. The ICCL advises the Bank of these figures, as returned by participant firms to the ICCL, which may then be subject to verification by the Bank as part of its ongoing supervisory process. (Refer to 3.6 and 3.7.2 below)

2.2.2. Period of Assessment

The period of assessment will continue to be the participant firm's financial year which ended immediately prior to the commencement of the ICCL funding year. (e.g. where a participant firm's financial year ends on 31 March, this financial data should be used for ICCL Funding Year commencing 1 August.)

2.2.3. Levy Rates

The levy rates for participant firms are set out in Table 2 below.

**TABLE 2 - FUND B: BAND AND LEVY RATE STRUCTURE
FOR THE FUNDING YEAR COMMENCING 1 AUGUST 2026**

Level	Income band structure	August 2026 to July 2027
1	€0 - €150,000	€70
2	€150,001 - €400,000	€130
3	€400,001 - €700,000	€180
4	€700,001 - €1.5m	€340
5	€1,500,001 - €3m	€600
6	€3,000,001 - €6m	€1,070
7	€6,000,001 - €15m	€4,360
8	€15,000,001 - €25m	€7,040
9	> €25,000,000	€8,710

3 General Information for all Firms

3.1. *Obligation to pay a levy*

Section 21 of the Act provides that authorised investment firms, including insurance intermediaries, ["firms"] shall pay to the ICCL, such contribution ["levy"] as the ICCL may specify from time to time.

The annual levy amounts for the period 1 August 2026 to 31 July 2027 are specified in Tables 1 and 2 of this document.

Firms are required to comply with section 21 of the Investor Compensation Act, 1998, (as amended). Firms that **do not** comply with section 21 and fail to pay their due levy will be reported by the ICCL to the Bank. The ICCL has taken legal recovery proceedings against such firms. (Refer to section 3.7.1 below) The Bank may also take additional regulatory action against firms reported to it by the ICCL.

3.2. *Authorisation Change*

There will be no adjustment of levy to reflect any changes in authorisation (excluding firms availing of the exemption documented at section 2.1.6) which occur during the funding year. The new rate of levy will apply from the start of the following funding year on the basis of the firm's authorisation status at that time.

3.3. *Newly Authorised Firms*

Firms which are authorised during the ICCL's funding year (i.e. subsequent to the ICCL's annual invoicing process which takes place in August each year), will be required to pay the annual levy calculated on a pro-rata basis.

Where eligible client numbers or income figures are not available at the time of raising the first invoice, the invoice will be raised at the lowest band/level of the appropriate Fund. In other circumstances, where eligible client numbers or income figures are available, the levy rate should be self-assessed by the firm using the appropriate base.

3.4. Invoicing process

Annual levy invoices are normally issued in August each year (i.e. the first month of the ICCL's financial year). The ICCL issues electronic invoices for all participant firms that have provided an email address to their supervisory authority with effect from 1 August 2026. The ICCL will utilise the relevant email addresses, as supplied by participant firms to the relevant supervisory authorities. However, if the participant has not provided an email address to the relevant supervisory authority, the invoice and other associated correspondence will issue in hardcopy format to the principal business address as registered by the Supervisory Authority for the participant firm.

The preferred issuing method is email and a **discount** will be applied for firms that utilise this facility.

3.5. Payment & Invoicing Methods

The ICCL offers a number of payment methods to facilitate the payment of the annual levy in a timely and efficient manner and these are communicated on the annual invoice. **Firms can avail of discounts of up to 10%, capped at €50,** if they pay by direct debit and receive e-invoices. (See details below)

The preferred payment method is single direct debit.

Where a participant firm elects before 1 August each year to pay by single direct debit, an annual discount equivalent to the lower of 5% of the gross annual levy or €25 will be automatically applied /to the invoice.

As set-out in section 3.4 above, the ICCL issues electronic invoicing for all participant firms. It is the responsibility of the firm to ensure that the correct email address is provided to the relevant supervisory authority at all times.

Where a participant firm has provided an email address to the supervisory authority, an annual discount equivalent to the lower of 5% of the gross annual levy or €25 will be automatically applied to the invoice.

3.6. Verification of self-assessed returns

All firms will be required to self-assess and return their eligible client numbers and theoretical exposures (Fund A) or income level (Fund B) for each funding year. In circumstances where a firm fails to submit the self-assessed return of their eligible client numbers or income figures, payment will be deemed to constitute a return. (Refer to 3.7.2 below)

Separate to the annual self-assessment at the time of levying (ICCL Return 1), the ICCL will also engage with Fund A firms during the year in relation to two other returns:

- ICCL Return 2: Theoretical Maximum Exposure return – this return seeks to estimate on a firm by firm basis, the maximum potential exposure of each firm to the ICCL operated Scheme in the event of the failure of the firm;
- ICCL Return 3: Passporting Data return – this return seeks to identify each jurisdiction in which the firm has provided investment services to eligible clients, thus providing the ICCL with the data necessary for cross border compensation planning scenarios.

3.7. Non-compliance

3.7.1. Unpaid annual levies

Penalty Interest

The Act provides that the ICCL can apply interest at a rate of 1.25% per month to overdue balances.

Reporting to the Central Bank of Ireland / Approved Professional Bodies

Firms that fail to pay their annual levy, will be reported to the Bank or their Approved Professional Body for failing to comply with their obligations under the Act. The Bank may initiate a number of regulatory actions against firms that fail to pay the ICCL levy in a timely manner.

Legal Recovery of unpaid annual levies

Section 21(5) of the Act provides that any sums due to the Scheme are recoverable as a simple contract debt in any court of competent jurisdiction. The ICCL has successfully taken legal action to recover unpaid levies. Details of judgments obtained may be published in relevant publications, notified to the Bank and published on the ICCL website.

3.7.2. *Incorrect self-assessed returns*

Section 43(7) of the Act provides that any person who provides misleading information, (e.g. in relation to a self-assessed return of eligible client numbers, theoretical exposure or total investment and insurance income), in purported compliance with its obligations under the Act will be committing an offence. In circumstances where a firm fails to submit the self-assessed return of their eligible client numbers or income figures, as outlined in the terms and conditions of each invoice, payment will be deemed to constitute a return. Summary proceedings in relation to an offence under section 43(7) of the Act may be brought and prosecuted by the Director of Public Prosecutions or by the Bank.

3.8. **Refund Policy**

The ICCL continues to operate a refund policy which is set out in more detail on our website, www.investorcompenastion.ie. The ICCL will regularly review the appropriateness of the policy and make necessary amendments as deemed appropriate by the Board.

The amount of annual levy to be paid in any year to the ICCL is calculated by the participant firm on a self-assessment basis in accordance with the rules set out in this document. In the case of Fund A participant firms (refer to section 2.1 above) or in the case of Fund B participant firms (refer to section 2.2 above).

Firms may submit a request for a refund of overpaid levies on the basis that they have overstated eligible client numbers or income. The ICCL will process such refund requests where they are made within the same funding year as the relevant annual levy fell due for payment. Refunds requests in respect of previous years will only be considered in exceptional circumstances.

The main justifications for this approach are:

- The ICCL is acting on trust and in good faith on information supplied to it by professional firms with regard to their eligible client numbers or income.
- The ICCL predicates its funding position and requirements on this data and pays out compensation in failure cases on the basis that those funds are available to it.
- Once levies are credited to a particular Fund, the Act (section 19) places restrictions on the extent to which payments, other than compensation payments, may be made from such funds.

3.9. *Revocation of Authorisation*

Firms that have paid the annual levy in full and whose authorisation is revoked by the Bank during the ICCL's funding year (i.e. subsequent to the ICCL's annual billing process which takes place in August each year), will be invited to claim a pro-rata refund of the annual levy they have paid.

The refund will be calculated on a pro-rata basis for each full calendar month during which the firm was no longer authorised. On receipt of notification from the Bank (or Approved Professional Body as appropriate) that the firm is no longer authorised, the ICCL will initiate the refund request. The refund application must be received within six months of:

- The date of revocation of the firm, or,
- The date the application form is issued by the ICCL, whichever is the later.

Exception

In circumstances where two participant firms merge during a funding year, the pro-rata refund policy will not apply.

3.10. *A branch of an Irish authorised investment firm joining the Investor Compensation Scheme of a Host Member State*

Investment firms should note that, in accordance with the requirements of the Investor Compensation Directive (Article 7, para. 1), an Irish authorised investment firm which establishes a branch in a host Member State may join the local investor compensation scheme where the level or scope of that scheme exceeds the minimum provided in the investment firm's home Member State. An investment firm seeking to avail of this provision **must** inform the ICCL in advance.

3.11. A Branch of a 3rd Country Investment Firm or Credit Institution joining the Irish Investor Compensation Scheme

Investment firms or credit institutions, the head office of which are established in a State other than a Member State or an EEA State, may in accordance with the EU (Markets in Financial Instruments) Regulations 2017 establish a third country branch in Ireland for the provision of investment services to certain categories of clients.

The Bank will determine, in accordance with the provisions of section 29A of the Act, whether the third country branch established in Ireland is required to join the Scheme.

In circumstances where the Bank has required a third country branch to join the Scheme, the Funding Committee of the ICCL will determine, in accordance with the provisions of Annex II of the ICSD:

- the extent to which these Funding Arrangements will apply to the third country branch; and,
- the levy applicable to the third country branch for the supplementary cover provided by the Scheme.

In such circumstances where a 3rd Country Branch has been required by the Bank to join the ICCL operated Scheme, the ICCL can only, in accordance with the provisions of section 29A of the Act, make compensation payments to the eligible clients of the 3rd Country Branch that have entrusted money or investment instruments to the 3rd Country Branch.

4 Appendices

4.1. Appendix 1 – Funding of Compensation Payments – Cascade Model

ICCL operates a cascade model as the framework for funding the Scheme in the event of a default situation. The cascade represents the funding options available to the ICCL, depending on the seriousness of the failure, to access funds for the purpose of making compensation payments.

The ICCL model currently consists of the following two core elements:



In addition to the two core elements, there are other sources of funding available which may be available including:



Some important features to the cascade model are:

- Capacity of the overall model;
- Mix of each element of the model;
- Timeframe for capacity of each element to be achieved.

The implementation sequence of the individual elements of the cascade model is determined by the Board depending on circumstances prevailing at the time of a failure.

Cascade capacity has been determined separately for Fund A and Fund B. Further details are set out in the Consultation Paper from paragraphs 59 through 145.

Fund A

ICCL has determined that, on the basis of the analysis undertaken and set out in the Consultation Paper, that a €200m–€300m target Fund A capacity would be appropriate.

ICCL is setting a reserves target at a range of €50m–€100m within the Fund A cascade capacity target range of €200m–€300m. Specifically, ICCL is seeking to achieve the upper-bound of the reserves range of €100m by July 2029.

ICCL has determined that 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 is seeking to achieve the €100m upper bound of the reserves target, ICCL will seek to maintain €200m of insurance within the €300m cascade capacity.

Table 3 below outlines the prospective levels of Fund A reserves and supplementary funding sources for the forthcoming funding cycle.

Table 3 - Fund A: Projected Fund Reserves & Capacity levels at 31 July 2029

Year	Levies (€ million)	Interest Income (€ million)	Claim & Administration Costs (€ million)	Fund Reserve (€ million)	Excess Loss Insurance (€ million)	Fund A Cascade Capacity (€ million)
2026	5.729	1.321	2.040	96.477	240	336.477
2027	1.630	1.477	1.984	97.600	200	297.600
2028	1.530	1.425	1.823	98.732	200	298.732
2029	1.705	1.425	1.862	100.000	200	300.000

Fund B

ICCL has determined that a target Fund B capacity at €38m is adequate currently.

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

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

Table 4 - Fund B Projected Fund Reserves & Capacity levels at 31 July 2029

Year	Levies (€ million)	Interest Income (€ million)	Claim & Administration Costs (€ million)	Fund Reserve (€ million)	Excess Loss Insurance (€ million)	Fund B Cascade Capacity (€ million)
2026	0.917	0.527	1.110	28.297	10	38.297
2027	0.579	0.443	1.207	28.112	10	38.112
2028	0.579	0.413	1.036	28.068	10	38.068
2029	0.582	0.413	1.063	28.000	10	38.000

4.2. Appendix 2 – Description of Funds and Participant Firm Categories

At inception and following consultation with industry, the ICCL established two funds designated as Fund A and Fund B. The categories of firms which pay levies into each of these Funds are derived directly from the Bank's authorisations/registrations and are adapted, as appropriate, where the Bank's categorisation of firms changes.

Fund A

Fund A is intended to meet claims from eligible investors of:

- Investment Firms authorised under the European Union (Markets in Financial Instruments) Regulations 2017;
- Investment Firms authorised under Section 10 of the Investment Intermediaries Act, 1995 ["IIA"] that are not exempt under Section 2(5) of the Investor Compensation Act, 1998;
- Credit Institutions authorised in Ireland to provide investment business services;
- Certain certified persons who provide investment business services, which are similar to services provided by Fund A firms, in a manner which is incidental to their main professional activities;
- UCITS management companies, authorised to undertake Individual Portfolio Management Services⁴;
- AIF Managers, authorised to undertake Individual Portfolio Management Services^{5&6}.

⁴ Individual Portfolio Management Services refers to the management of portfolios of investments and discretionary portfolio management services as well as non-core services such as investment advice, safekeeping and administration services.

⁵ Article 12(2) of Directive 2011/61/EU – Alternative Investment Fund Managers Directive (AIFMD) – which has a transposition date of 22 July 2013, requires that for each AIFM, the authorisation of which also covers discretionary portfolio management services as referred to in Article 6(4)(a), shall be subject to the provisions of Directive 97/9/EC – Investor Compensation Directive for the services referred to in Article 6(4) of AIFMD.

⁶ Individual Portfolio Management Services refers to the management of portfolios of investments and discretionary portfolio management services as well as non-core services such as investment advice, safekeeping and administration services, and receipt and transmission of orders in relation to financial instruments.

Fund B

Fund B is intended to meet the claims of eligible investors of:

- Investment Intermediaries authorised under the IIA;
- Insurance Intermediaries registered with the Central Bank of Ireland under the European Union (Insurance Distribution) Regulations 2018;
- Certain certified persons who provide investment business services, which are similar to services provided by Fund B firms, in a manner which is incidental to their main professional activities.

Determination of appropriate Fund for levy purposes

The ICCL will determine the correct fund to which a firm is required to pay a levy. This will be determined with reference to the authorisation of the firm, which will take precedence over the registration of the firm. (e.g. An authorised MiFID investment firm that is also registered under the European Union (Insurance Distribution) Regulations 2018 (the IDD Regulations), as an insurance intermediary, will be assessed as a Fund A firm for the purposes of levies to the Scheme.)

In all cases, upon being notified by the relevant Supervisory Authority (principally the Bank) that a firm coming within the scope of the Scheme has been authorised, the ICCL will determine and notify the firm of the appropriate Fund to which it will become a member.

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