

The Governor and Company of Bank Of Ireland submission on Funding Consultation paper for ICCL

The Governor and Company of Bank Of Ireland (Bank Of Ireland) welcomes the opportunity to provide its view as part of the Funding Consultation for the Investor Compensation Company DAC.

Below are the 13 questions outlined throughout the document and our responses.

We understand the technical rationale for the proposal(s) as set out. Across the industry financial services companies are seeking opportunities to provide better value for money solutions for our customers. We would like to see this reflected in the proposal(s). The increases as indicated across both proposals do not feel consistent with this general approach.

Q1. Do you agree with the revised target cascade capacity for Fund A?

A1. We agree with the revised target cascade capacity for Fund A, but as per our comments above re value for money we would like to see this reflected in the proposal.

Q2. Do you agree with the “flexed” target cascade mix for Fund A?

A2. We agree with the flexed target cascade mix for Fund A, but as per our comments above re value for money we would like to see this reflected in the proposal.

We note the flexed target cascade mix will give the ICCL greater flexibility in terms of mix to ensure that the alternative funding methods can be adjusted more dynamically in response to the evolving aggregate datasets and related cascade model capacity outputs at its disposal. We also note that insurance contracts and commercial borrowing facilities are annual renewing events, subject to negotiations, and therefore further highlight the need and importance of flexibility over the 3-year period.

Q3. Do you agree with the retention of the target cascade capacity for Fund B?

A3. Bank of Ireland do not contribute to Fund B and do not have a view on this question

Q4. Do you agree with the retention of the target cascade mix for Fund B?

A4. Bank of Ireland do not contribute to Fund B and do not have a view on this question

Q5. Do you support the continued placement of Excess of Loss Insurance for Fund A at the current level of €100 million above an excess of €15 million?

A5. We support the continued placement of Excess of Loss Insurance for Fund A at the current levels, noting the significant undertaking from both the ICCL and the specialist Lloyd's broker in successfully negotiating and renewing the policy. We believe it is a key and prudent funding tool for

the Fund. We would like to see a strong procurement process to procure the insurance on best terms in market in line with comments re value for money above with the overall objective of reducing the cost of the insurance premium.

Q6. Do you support the continued placement of Excess of Loss Insurance for Fund B at the current level of €10 million above an excess of €15 million?

A6. Bank of Ireland do not contribute to Fund B and do not have a view on this question

Q7. Would you support a review and restructuring of the Excess of Loss Insurance programme provided it continued to support the cascade model?

A7. Provided it continued to support the cascade model as outlined in the Paper, we would support a review and restructuring of the Excess of Loss Insurance programme. As per the above comments, we would like to see a strong procurement process to procure the insurance on best terms in market in line with comments re value for money with the overall objective of reducing the cost of the insurance premium whilst ensuring adequate risk management of the cascade model.

Q8. Do you support the continuation of the Inter-fund borrowing arrangements?

A8. We support the continuation of the Inter-fund borrowing arrangements, noting its importance to the cascade capacity, as outlined.

Q9. Are there alternative sources of standby funding that are likely to be commercially viable and suitable to support the funding objectives of the ICCL which you believe should be explored?

A9. We believe there may be suitable alternative sources of standby funding available, and would welcome the opportunity to explore this further with the ICCL and Bank Of Ireland.

Q10. Do you believe the assumptions set out in paragraph 69 are reasonable? – Please state your reasons.

A10. We believe the assumptions underlying the projections for proposals A:1 and A:2 as set out in paragraph 69 are reasonable. We note that no interest income or interest charge(s) are included in projections and we agree with this approach, with the potential for interest rate changes in the 3-year period. We also believe the assumption(s) in regards to the material reduction in the number of authorised firms on an annual basis is/are reasonable, on the basis of the forecasting on significant consolidation of firms. The impact of any unforeseen significant consolidation of firms could be deemed a risk given the main obligation for financing Fund A falls mainly on 45 firms (as set out in paragraph 52), however, we note the impact of this may also be diluted upon the move away from the current Band 10 cap on levying, as set out in Proposal A:1 and A:2.

Q11. Do you support the implementation of Proposal A:1 or Proposal A:2 in their current form? Please state your reasons and support any alternative proposals with appropriate calculations.

A11. We support the implementation of Proposal A:1.

However, as per our previous comments on rising costs and value for money for our customers, we would like the company to explore opportunities to bring these costs down.

We agree with the approach that Levy rates for all bands other than BND10 would remain unchanged for the 3-year period.

We also support the incremental additions beyond the increased mark of 75,000 clients (Band 11), noting the rising number of firms with client numbers significantly in excess of the existing top band of 50,000+ clients as set out in paragraph 69.

We believe this proposal will further strengthen the ICCL's position to meet the target outcomes as set out in paragraph 70, on foot of the targets set for the growth of the ICCL's reserves for the period August 2019 to July 2021 having been substantially achieved, as set out in paragraph 5 and tables 3 and 4 on page 15. We believe the target outcomes set out in paragraph 70 are adequate to meet the obligations as set out in the EU Investor Compensation Scheme Directive 97/9/EC ('ICSD') and Investor Compensation Act, 1998 (as amended).

We support the view that the ICCL has indeed considered the evolving regulatory, economic and technological landscape, coupled with the disruptive effects of the pandemic and changing consumer behaviours in preparing this proposal and would like to note our support for this.

Q12. Do you believe the assumptions set out in paragraph 85 are reasonable? – Please state your reasons.

A12. Bank of Ireland do not contribute to Fund B and do not have a view on this question

Q13. Do you support the implementation of Proposal B:1 in its current form?

A13. Bank of Ireland do not contribute to Fund B and do not have a view on this question