Nationwide UK Ireland

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Minister for Finance
Financial Institutions Levy Consultation
Department of Finance
St Stephen's Green House
Earlsfort Terrace
Dublin 2

05 July 2016

Re: Department of Finance – Financial Institutions Levy Consultation

Dear Minister,

Further to your request for submissions to the consultation process on the Financial Institutions Levy, please find below the Nationwide Building Society response as a corporate body to the relevant questions.

•**Do you agree that there is a need to review the methodology for calculating the Financial Institutions Levy?** – Yes

•**Do you agree with the proposed approach recommended by the Department of Finance?** – No

•**If not, what alternative model would you suggest, bearing in mind that it would have to protect the annual yield of €150 million to the Exchequer?**

A) As assets are the primary profit generating aspect of the businesses affected, we would suggest the levy be based on assets and not liabilities, which the current DIRT methodology is aligned to.
B) If there is a requirement for the calculation methodology to be pegged to a liability base (deposits) then we feel that this basis should extend to all deposit liabilities and not discriminate against market participants who are solely engaged in deposit activities with resident individuals where DIRT is applicable.
C) Implement a levy structure similar to the UK levy as outlined below

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UK Bank Levy Summary

The UK bank levy was introduced and payable from January 2011.
One aim of the levy is to incentivise a reduction in the use of wholesale finance by banks, with a view to reducing the risk of another financial crisis being triggered by liquidity issues.

Which banks must pay the levy?

A banking group headed by a UK company is liable on a global basis until 1 January 2021 when UK headquartered banks will be levied on their UK balance sheet liabilities and equity only. UK subsidiaries and branches of non-UK banks are also subject to the levy by reference to their UK activities. In addition, corporate groups which include a bank are liable by reference to the balance sheet of the bank entity.

What is the tax base?
The tax base is based on total liabilities and equity as shown in the relevant balance sheet excluding:

- tier 1 capital
- insured retail deposits
- certain policyholder liabilities for Bank assurance entities
- certain revaluation reserves
- tax liabilities (including deferred tax liabilities)
- liabilities under certain retirement benefit schemes
- liabilities to pay compensation under financial services compensation schemes
- client money
- liabilities relating to currency note issuance

What constitutes insured retail deposits?
This covers the insured element of deposits covered by a statutory or State run guarantee or insurance scheme. For example, in the UK the first £75,000 of a deposit with a banking group is protected by the Government.

•Are there any additional factors you believe should be taken on board in any evaluation of the existing formula?

As a branch of a bank in another EEA state the current method of calculation does not allow us to utilise the levy cost as an offset via double taxation agreements between Ireland and the United Kingdom. Therefore it would be preferable that the formula is constructed in such a way that it comparable to other levies and in turn allow us to utilise the full payment of the levy against our UK liability.

•Is there any further comment you wish to make?

As outlined in previous submissions we feel that the further imposition of the levy continues to promote an inequitable sharing of the burden amongst certain financial institutions.

The imposition of a levy in its current form undermines the continued viability of our Irish operations. The additional cost of approx. €10 Million over 5 years, in a market where Nationwide simply provides deposit accounts to Irish residents at a competitive interest rate, is potentially an unsustainable additional overhead cost.

The imposition of the levy further penalises a low risk mutual business such as Nationwide whose business model seeks to optimise value to its members and not maximise profits. As Nationwide are committed to providing value to its members and customers the levy restricts our ability to do so.

Should you require any further information please do not hesitate to contact me.

Yours sincerely

Brendan Synnott

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Managing Director
Nationwide UK (Ireland)