

Clementine Curtin

From: Rob Sheward <rsheaward@toscafund.com>
Sent: 08 July 2016 16:11
To: FI Levy Consultation
Subject: Comment on the Financial Institutions Levy

To Whom It May Concern:

I am writing in regard to the consultation on the bank levy on behalf of Toscafund Asset Management. Toscafund are stakeholders in this process through equity and credit holdings in Permanent TSB.

The proposed calculation of the levy is anti-competitive in our view. By using a method based on the cost of funding of banks, it unfairly penalizes smaller banks whom will normally have to pay more for deposits. This excess regulatory burden is not compatible with the size of their balance sheet and so hinders their ability to earn their cost of capital in order to better serve the Irish economy. This method of calculating the levy incentivizes lower returns to savers, risk taking to offset the impact on returns and increases the already significant concentration in the Irish banking system.

In the long run, in order to best serve bank customers, Ireland needs a competitive banking landscape. Unfairly penalizing smaller players will only serve to increase system wide concentration. This is an unhealthy mix. Savers will not be compensated properly as this levy ensures a race to the bottom on deposit rates. A concentrated, two player oligopoly will also discourage competition for assets and ensure they remain uncompetitive. Given the attempts by Politicians to regulate lower mortgage pricing, it seems that a better solution would be to encourage competition in order to improve the pricing power of the bank customers.

As stated, we believe the method of calculation should be amended to reflect balance sheet size and hope that you are considering this.

Kind regards,

Rob Sheward

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