

Isle of Man Resolution Authority

Consultation Response

Bank (Recovery and Resolution)

Administrative Levy Order 2022

CR22-03

Issue Date: 14 June 2022

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Glossary

Authority	Isle of Man Financial Services Authority, acting as the Resolution Authority for the Isle of Man
BRRA20	Bank (Recovery and Resolution) Act 2020
FSA08	Financial Services Act 2008
Op-costs	The cost of the ongoing administrative operations of the Authority
The Order	Bank (Recovery and Resolution) Administrative Levy Order 2022

1. Background

This Consultation Response is issued by the Authority to provide feedback in respect of Consultation Paper CP22-02¹.

The purpose of the consultation was to obtain views and evidence in relation to the proposed Bank (Recovery and Resolution) Administrative Levy Order 2022 ('the Order').

Once the Order comes into effect, it will impose a levy on banks to fund the ongoing operational costs of the Authority. Such costs are different to the expenses that may be incurred should there be an actual bank resolution event. In those circumstances, the recovery of resolution-related costs would be dealt with in the manner set out in Section 37 of BRRA20.

2. Summary of Responses

2.1 Responses relating to the Consultation Paper proposals

The Authority received six responses to the Consultation Paper.

One response was received from a licensed entity that does not operate as a bank. Four responses were from banks. One response was provided by an industry body.

Four respondents queried whether the proposed basis of allocation of costs was equitable and whether this might be reviewed in future.

Authority response:

This matter was raised by respondents to the Authority's previous consultation on this topic, CP21-02 [Link: https://consult.gov.im/financial-services-authority/admin-expenses-resolution-authority/results/resolutionop-costsconsultationpaper040221.pdf](https://consult.gov.im/financial-services-authority/admin-expenses-resolution-authority/results/resolutionop-costsconsultationpaper040221.pdf). As there has been no substantive change to the banking environment in the Isle of Man, the Authority's response given in the Consultation Response CR21-02 [Link: https://consult.gov.im/financial-services-authority/admin-expenses-resolution-authority/results/resolutionadminexpensesconsultationresponsedocumentapril2021.pdf](https://consult.gov.im/financial-services-authority/admin-expenses-resolution-authority/results/resolutionadminexpensesconsultationresponsedocumentapril2021.pdf) published on 21 April 2021, remains unchanged.

2.2 Other comments received on the Consultation Paper

One respondent asked for any material increase to the forecast levy to be subject to a further consultation with the banks affected.

¹ Consultation Paper CP22-02: https://consult.gov.im/financial-services-authority/bank-recovery-resolution-admin-levy-order-2022/supporting_documents/Consultation%20Paper.pdf

Authority response:

Due to smaller costs than had been projected, the actual levy will be lower than forecast. However, if the amount had gone up materially, the Authority would have informed the relevant banks by email in such cases.

One respondent was concerned that an additional levy on banks might be seen as a disincentive to banks wishing to carry on business in the Isle of Man, with the effect of reducing the number of banks that offer services to the TCSP sector.

Authority response:

Whilst the Authority understands the point being made by the respondent, we consider that the resolution Op-costs levy would be unlikely to be material to any decision to remain in the market.

3. Changes to the Proposals

An indicative range for the full-year annualised costs was provided in the Consultation Paper CP21-02 issued on 8 February 2021 of £180,000 to £200,000, to be recovered from banks.

The actual operational expenditure of the Authority for the period from 1 April 2021 to 31 March 2022 is shown below.

Authority Costs Breakdown 1 April 2021 to 31 March 2022	
Salaries	118,981.785
Training	739.15
Professional services	-
Travel	-
Total	119,720.90

Dividing the total expenditure for 2021/2022 equally between the 11 Class 1(1) and Class 1(2) banks that were licensed on 31 March 2022, means that the figure to be levied per bank will be **£10,883.72**. This figure is lower than the projected levy of £12,516 per bank that was indicated in the Consultation Paper CP22-02.

The projected annual expenditure had been based inter alia on the Authority employing two members of staff. However, for most of 2021/22, only one member of staff was employed, resulting in lower expenditure than was projected. A second member of staff has now been

recruited, who joined the Authority during April 2022. Consequently, it is anticipated that the Authority's operational expenses for 2022/2023 will more closely match the projected level.

4. Next Steps

The Authority is grateful to all those parties who provided a response to this consultation. We note that, although concerns regarding equitable allocation of costs were raised, a response had been provided to these concerns previously, and there were no new substantive comments received in respect of the proposals contained in the Consultation Paper.

The Authority will seek to have the Order laid before Tynwald for approval in July 2022, after which Levy Notices will be issued, with payment required by 31 October 2022, i.e. 3 months after the Order comes into operation.

In case of any query, please contact the undersigned —

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Appendix A – List of Groups to which this Consultation Response has been sent

- Isle of Man Bankers Association
- Isle of Man Society of Chartered Accountants
- Association of Chartered Certified Accountants (Isle of Man branch)