



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

Member Personal Current Account Services MPCAS Application Form

September 2023

Credit Union Name	
Registration Number	

The credit union has considered the Member Personal Current Account Services (MPCAS) additional service description, conditions and requirements as set out in the appendices of this application form and has resolved to apply for approval to offer MPCAS to its members.

1. In accordance with the provisions of sections 48 – 52 the Credit Union Act, 1997 (the 1997 Act), please confirm that the credit union intends ensuring the following in relation to the proposed additional service:

a) That members are protected from conflicts of interest that might otherwise arise in connection with the provision of the service.

Yes	No

(section 49(2)(a))

Please provide details

b) That adequate compensation is available to members in respect of negligence, fraud or other dishonesty on the part of officers of the credit union in connection with the provision of the service.

Yes	No

(section 49(2)(b))

Please provide details

- c)** That staff and officers of the credit union involved in the provision of the service(s) have or will have, where appropriate, the relevant qualifications and experience to provide the service.
(section 49(2)(c))

Yes	No

Please provide details

- d)** That an assessment of the financial and other implications for the credit union of the provision of the service has been carried out and that, based on this assessment, the credit union is satisfied that the proposed service will not pose a material risk to the financial stability of the credit union.
(section 48(5)(b))

Yes	No

Please provide details

- e)** That an assessment has been carried out to ensure that the appropriate standardised operational model, systems, controls, policies and procedures are or will be in place for the provision of this service and that, based on this assessment, the credit union is satisfied that there is no threat to the financial stability of the credit union.

Yes	No

Please provide details

f) That the credit union has resolved to propose the application in line with the described service “Members Personal Current Account Services” and that the credit union is applying for the service as described in Appendix 1 and will adhere to the conditions of approval contained in Appendix 3.

Yes	No

Please provide details

2. Does the service require authorisation under, or is regulated by, other legislation apart from the 1997 Act, e.g. Payment Services and Payment Account Regulations and Consumer Protection Codes?

Yes	No

3. In accordance with section 48(4)(a) of the 1997 Act, please outline the method by which you propose to authorise a decision to provide the service where approved:

- Resolution at AGM
- Resolution at SGM
- Resolution of the board of directors

4. Please provide a copy of the following:

- a) The draft notice of resolution and rule change (see Appendix 4 for proposed wording);
- b) A business case proposal for the proposed service (see Appendix 2).

5. Does the credit union intend to make Member Business Current Account Services (MBCAS) available to its members at the same time as it makes MPCAS available to its members?

Note: In accordance with Conditions 1 and 2 of the Potential Conditions attaching to the Approval for the provision of MPCAS set out in Appendix 3 of this Application Form, a credit union approved to provide MPCAS must confirm to the Central Bank’s satisfaction that it has met / fulfilled / implemented the Central Bank’s ‘Member Personal Current Account Services Risk Management Expectations’ in the provision of MPCAS and notify the Central Bank of its operational readiness to provide MPCAS at least one month before it intends making such services available to its members. Separately, in accordance with Potential Conditions 18 (iv) and (v), where a credit union wishes to provide MBCAS to relevant members, it must notify the Central Bank of its operational readiness to provide MBCAS at least one month before it intends making such services available to its members

via an “MBCAS Notification Form” as published by the Central Bank on its website and provide the confirmations set out in the “MBCAS Notification Form”.

Where the Credit Union intends to make MBCAS available to its members at the same time as it makes MPCAS available to its members, the credit union should submit its MBCAS Notification Form to the Central Bank at the same as the MPCAS attestation and MPCAS notification in respect of Conditions 1 and 2 of its MPCAS approval.

Information on the MPCAS and MBCAS Notification and Attestation Processes is available in the "[Applying for Approvals](#)" section of the "Credit Unions" area of the Central Bank’s website.

The Central Bank retains the right to request additional information from individual credit unions when reviewing their applications.

Completed By: _____

Date: _____

Chairperson: _____

Date: _____

Appendix 1 – Member Personal Current Account Services Explanatory Note

This application form pertains to a suite of additional services that the Central Bank has approved for a number of credit unions. It is open to a credit union to apply for any other additional service, outside of this suite of additional services in accordance with sections 48-52 of the 1997 Act.

Approval of the provision of Member Personal Current Account Services (“MPCAS”) for members

In accordance with section 49(3) of the 1997 Act, the Central Bank may grant approval to a credit union to provide MPCAS comprised of:

1. Member personal current account;
2. Member payment services; and
3. Payment account servicing payment service, on the basis outlined in this application.

A member personal current account, member payment services and payment account servicing payment service are defined below.

An approval where granted is subject to the credit union’s on-going compliance with the conditions set out in Appendix 3. A breach of one or more of the conditions may result in the withdrawal of the approval to provide the additional services stipulated in the application.

Under section 50(3) of the 1997 Act, the Central Bank may at any time, if it appears appropriate to do so, withdraw an approval granted under section 49 of the 1997 Act, revoke or vary any conditions imposed on such an approval or impose new conditions on such an approval.

An approved credit union may participate with other credit unions in a shared service arrangement including as a member of a co-owned shared service entity whose objectives are to provide operational standardisation, risk management and business support activities to the credit union in respect of its provision of MPCAS.

Provision of Member Business Current Account Services

The Central Bank amended the conditions applying to MPCAS in September 2023 in order to allow an MPCAS-approved credit union, where it so chooses, to provide MPCAS-equivalent services to members who are a micro, small or medium-sized enterprise, charity, club or society, subject to conditions. These conditions include Conditions 18(iv) and 18(v) of the Potential Conditions attaching to the Approval for the provision of MPCAS - set out in Appendix 3 of this Application Form – on providing advance notification, and providing confirmations, to the Central Bank as set out in the “MBCAS Notification Form” as published by the Central Bank in the ["Applying for Approvals"](#) section of the "Credit Unions" area of the Central Bank’s website.

If at any time a credit union decides to cease providing MPCAS and / or MBCAS, it must notify the Registrar of Credit Unions no less than three months before its intended cessation date and provide a cessation plan setting out how its plans to cease the service/s. The Credit Union as part of its business continuity

arrangements, in the event of its cessation of the provision of the service for any reason, must ensure the continuity of the services to users and that the services are capable of being transferred or switched to another credit union approved for MPCAS.

In order for a credit union to provide the additional services stipulated in the application, the provision of those services must be specified among the objects of the credit union as required by section 48(4)(c) of the 1997 Act.

Definitions

1. A member personal current account is a payment account held in the name of one or more members that is used by the member for the execution of payment transactions where the member is entitled to place, transfer or withdraw funds without any restrictions.

2. Member payment services are:

- Services enabling cash to be placed on a payment account as well as all the operations required for operating a member personal current account.
- Services enabling cash withdrawals from a payment account as well as all the operations required for operating a member personal current account. This includes ATM cards and payment cards having an ATM feature / functionality.
- Execution of payment transactions, including transfers of funds on a member personal current account with the member's payment service provider or with another payment service provider:
 - a) execution of direct debits, including one-off direct debits;
 - b) execution of payment transactions through a payment card or a similar device; and
 - c) execution of credit transfers, including standing orders.
- Execution of payment transactions where the funds are covered by an overdraft facility on the members personal current account:
 - a) execution of direct debits, including one-off direct debits;
 - b) execution of payment transactions through a payment card or a similar device; and
 - c) execution of credit transfers, including standing orders.
- Issuing / distribution of payment instruments:
 - a) Debit card and card derivative instruments / devices; and
 - b) Mobile and internet instruments / devices.
- Money remittance.
- Services based on access to member personal current accounts provided by a payment service provider who is not the account servicing payment service provider (the credit union), in the form of:
 - a) payment initiation services; and
 - b) account information services.
- Account servicing and payment channels:
 - a) In-branch;
 - b) Inter-credit union;

- c) Internet;
 - d) Mobile; and
 - e) Telephone.
- Licensed and regulated:
 - a) Electronic funds transfer schemes;
 - b) Payment card schemes;
 - c) Internet payment schemes;
 - d) Mobile payment schemes; and
 - e) Third party payment initiation services.
3. **Payment account servicing payment service** is where a credit union provides payment accounts services to third party payment service providers and third party payment schemes to facilitate member transactions on their member personal current account.
4. **Operational standardisation** is where those credit unions approved for member personal current account services collectively ensure that the member personal current account and payment service specifications, functionality, processes and procedures are standardised.

Appendix 2 – Business Case

The credit union is expected to propose a detailed business case and specifically demonstrate how it intends complying with conditions of approval and its obligations under section 76E – section 76K of the 1997 Act.

The business case should outline the proposed payment account service business model as follows;

Service Offering:

- Marketing rationale and strategies;
- Target Market (evidencing demand and ability to successfully market MPCAS);
- Products & Service Mix including principal / agent relationships, product / service features;
- Member product relationship (segmentation principles);
- Member “customer service” relationship (servicing); and
- Delivery and access channels (branch, online, mobile, payment card etc.).

Operational Model:

- Credit union as principal – high level operational process; and
- Credit union as agent – high level operational process.

Operational Resources:

- Management and staff;
- Third Party Providers; and
- IT Service Provider (ITSP) model including outline architecture.

Risk Management / Credit Union Risk Profile:

- Material risks:
- Operational;
- Legal;
- Transactional;
- Liquidity;
- Credit;
- Reputational;
- Service continuity;

- Proposed Risk treatments;
- Risk management governance and system;
- Current RMP progress; and
- MPCAS Compliance programme.

Third Party Relationships:

- Credit union as principal including outsourcing;
- Credit union as agent including distribution;
- Shared service model; and
- Payment system linkages.

Revenue and Costs Model:

- Projected service sales; and
- Projected service cost and revenue model.

Financial Forecast:

- Baseline forecast;
- Baseline plus MPCAS forecast; and
- Best case, expected case and worse case basis.

Appendix 3 – Potential Conditions attaching to the Approval for the provision of MPCAS

A credit union approved to provide MPCAS may be required to comply with the following conditions. The Central Bank will provide specific conditions to applicant credit unions at the time of approval.

1. The credit union must confirm to the Central Bank's satisfaction that it has met / fulfilled / implemented the Central Bank's 'Member Personal Current Account Services Risk Management Expectations' (set out below) in the provision of MPCAS, as communicated to the credit union by the Central Bank.
2. The credit union must notify the Central Bank in writing of its operational readiness to provide MPCAS at least one month before it intends making such services available to its members.
3. **Member Personal Current Accounts** may only be opened by personal customers and may not be opened by or used by a business charity, club, society or other organisation or body whether incorporated or not.
4. **Fees and charges:**

The credit union may levy fees and charges on member personal current accounts for the following transactions and services:

- ATM withdrawal & declined transactions;
- Payment card payments (Euro and Non-Euro);
- Payment card purchase, replacement and renewal;
- Internal automated transactions;
- Cash lodgements and withdrawals (Euro and Non-Euro);
- Service channel transaction fee (branch, internet, mobile, telephone);
- Account maintenance;
- Statements (paper, duplicate paper and digital);
- Direct Debit (set up, amendment, cancellation and transaction);
- Credit Transfer & Standing Order (set up, amendment, cancellation and transaction);
- Cheques/Collectable Items processing;
- Cheque drawn on the Credit Union payable to a designated payee;
- Unpaid collectible items;
- Copy of collectible items lodged;
- Unpaid direct debits and standing orders;
- Over limit paid items;
- Stop payment instruction;
- Payment card chargeback;
- Provision of and renewal of an overdraft facility; and
- Provision of personal financial management software services.

The credit union may charge one off service fees and non-euro transaction fees to an account as they arise and charge transaction and other fees and charges periodically (i.e. monthly, quarterly, etc.).

Commission and fees: Where the credit union is in receipt of third party commission, including soft commissions and support of material value or a share of fees and charges it must account separately for these in its accounts.

Third party fees and charges: the credit union's schedule of fees and charges must specify any third party fees and charges passed through the member's personal current account.

5. Overdraft

The following limits and conditions shall apply to overdrafts:

- Interest, including surcharge interest, on an overdraft facility shall not at any time exceed the maximum interest that may be charged by a credit union on loans made to its members under section 38 of the Credit Union Act, 1997.
- The Credit Union may charge surcharge interest on balances in excess of agreed overdraft facilities for that time the amount is in excess of the agreed limit.
- The maximum permitted overdraft limit on a member personal current account is €5,000 (single and joint accounts).
- Overdraft facilities may be secured or unsecured.
- Overdrawn balances must be repayable on demand even where the amount owing is within the agreed overdraft limit.
- An overdraft limit may not be automatically renewed unless the account has been in credit for at least 30 days in the previous twelve months which do not have to be consecutive.
- Where a member consistently forces credit, with more than three over-limit payment balances occurring within the term of the overdraft agreement or within a twelve month period (whichever is the lesser), the Credit Union shall review the overdraft facility and operation of the account to determine whether or not the facility should be amended or withdrawn and if the account should be closed.
- The Credit Union must establish and maintain a specified methodology for the assessment of overdraft credit risk and loss provisioning within its policies and risk management system.

6. Credit Interest

The credit union may pay interest on cleared balances subject to:

- The rate of any interest payable at any time by the credit union on a Member Personal Current Account of a particular class shall be the same for all Member Personal Current Accounts of that class.
- The credit union shall ensure that the rate of interest offered at any time on a Member Personal Current Account does not exceed the rate of return received by the credit union from the employment of its funds, whether in the form of loans or investments.

7. Overrunning

Overrunning may be permitted on member payment accounts. Overrunning means a tacitly accepted overdraft – that is, an overdraft where a consumer operates a current account (with or without an explicit

overdraft facility) with the credit union, and without formal agreement the credit union makes available to the member funds in excess of (a) the current balance in the member personal current account, or (b) if there is an agreed overdraft facility, the agreed limit of that facility.

8. Accounting

The credit union must account for member personal current accounts and transactions separately in its accounts. Audited accounts should contain a note on member personal current account balances both credit and debit and outstanding committed funds in the following specimen format;

Payment Accounts	Number of Accounts	Balance of Accounts
Credit	500	€1.00m
Debit	200	€0.40m
Permitted overdrafts	250	€0.75m

The credit union must also account separately for all third party costs, fees and charges related to its payment account services. Where the credit union is not recovering such costs in full through member charges and fees, it must account separately in its books of account for its subvention.

The credit union must safeguard any transaction funds not yet credited to a member's personal current account or transferred to another payment service provider from any claim, right or recourse of a liquidator, administrator or examiner of the credit union.

9. Liquidity

- The credit union must hold 100% of the aggregate credit balance of member personal current accounts in liquid funds and this should be calculated on a weekly basis on a Thursday.
- The credit union must hold 100% of the aggregate balance of overdrafts that have been granted but not yet drawn in liquid funds and this should be calculated on a weekly basis on a Thursday.

Such aggregate balances will be used to ensure effective liquidity management. The credit union must ensure that it makes sufficient liquidity provision to meet potential draw down of unused available overdrafts. If Thursday is not a working-day the credit union must carry out the above determinations on the nearest preceding working day.

10. Operational Risk Reserve Requirement

The credit union shall provide for a Member Personal Current Account Services operational risk reserve (MPCAS operational risk reserve).

Calculation of MPCAS operational risk reserve The amount is that calculated by the formula – **SE x 1.0**

Where SE is –

- For PV up to €5 million, 4% of PV;
- For PV between €5million and €10 million, €200,000 plus 2.5% of (PV - €5 million);
- For PV between €10 million and €100 million, €325,000 plus 1% of (PV - €10 million);
- For PV between €100 million and €250 million, €1,225,000 plus 0.5% of (PV -€100m); and
- For PV over €250 million, €1,975,000 plus 0.25% of (PV - €250 million). Where PV is one-twelfth of the total amount of payment transactions executed by the credit union in the previous year and where the total amount of transactions excludes transactions where;
 - a) a member transfers funds to a member personal current account from their savings with the credit union;
 - b) a member transfers funds from their personal current account to a member's savings, loan or budget account with the credit union; and
 - c) a loan issued to a member is credited to a member's personal current account with the credit union.

Where 1.0 is a scaler factor determined by the scope of member payment services. For the purpose of calculating SE a step in any of subparagraphs (i) to (iv) in paragraph (10)(a) includes its upper limit but not its lower limit. For the purposes of the first year's calculation the credit union should establish an anticipated PV, calculate and adjust where necessary its MPCAS operational risk reserve.

11. Marketing and Advertising

The credit union must ensure that its members are (a) made aware of and (b) know how to make themselves aware of the nature of the service being provided. Where the service to be provided includes third party payment services, instruments and channels, the credit union must make clear in its marketing materials and advertising who is providing the service and ensure third party providers do so also.

Payment cards must contain the name of the issuer prominently on the device, which may be on the front or rear of a card, but must be at least 50% the type size of the credit unions own name. The credit union may be required to submit specimen card templates and marketing material to demonstrate compliance with this requirement prior to making the service available. Marketing material must carry a clear explanation in plain English identifying the service provider and summary of the main elements of the provider's terms and conditions.

12. Payment account servicing payment service provider

The credit union may only provide payment account servicing payment services to licensed / regulated third party payment service providers.

The credit union may act as agent in the provision of member personal current account payment services. When doing so, the credit union shall inform its member payment service user where it is acting as an agent for a third party payment service provider and the services it provides on the provider's behalf.

13. The credit union shall ensure that adequate compensation is available to those members in respect of negligence, fraud or other dishonesty on the part of officers of the credit union in connection with the provision of the member current account services. The credit union shall put in place and maintain adequate insurance cover in respect of such compensation.

14. Shared service arrangements

The credit union must ensure operational standardisation of member personal current account services in collaboration with other approved credit unions which shall be arranged through a shared service arrangement whose objectives include the provision of standardisation services. Where a credit union enters into shared service arrangements with other credit unions to support the operation of MPCAS the credit union shall not expose its funds or member funds to undue risk in such arrangements.

15. Risk Management

The credit union must have and retain the expertise to identify and assess all potential sources of risk arising from payments accounts and third party payment services arrangements, including direct and indirect links, before entering into them and on an on-going basis once the arrangement is established.

The credit union must retain the appropriate technical expertise and have obtained appropriate legal advices to inform its understanding, consideration and decisions concerning the compliance, legal, operational and technical complexity and risks of interrelating cross jurisdictional contracts and operational and technical processes.

16. The Credit Union shall maintain appropriate oversight, policies, procedures, processes, practices, systems, controls, skills, expertise and reporting arrangements to ensure the protection of funds placed in members' personal current accounts.

Other than in respect of a major operational or security incident as defined by the European Banking Authority Revised Guidelines on major incident reporting under Directive (EU) 2015/2366 (PSD2), in the event of any major difficulty, failure or delay affecting the service or the provision of the services (or any part thereof), the Credit Union shall, as soon as it becomes aware thereof, notify the Central Bank immediately, advising it of such difficulty, failure or delay and the nature, extent, effect and likely duration of the circumstances, and shall use its best endeavours to minimise the effect of such circumstances including the making of any alternative arrangements which may be practicable and shall after the cessation of any such circumstances, notify the Central Bank.

17. Cessation of service

Should the credit union decide to cease the service then it must notify the Central Bank no less than three months before its intended cessation date and provide a cessation plan setting out how its plans to cease the service.

The credit union as part of its business continuity arrangements, in the event of its cessation of the provision of the service for any reason, must ensure the continuity of the services to users and that the services must be capable of being transferred or switched to another credit union approved for MPCAS.

18. Member Business Current Account Services (MBCAS)

The Credit Union may also provide member business current accounts to members and services in that connection equivalent to Member Personal Current Account Services (such services hereinafter jointly referred to as MBCAS) subject to the conditions set out in sub-paragraphs (i) to (xii) below.

- (i) Unless it appears otherwise in the conditions set out in sub-paragraphs (ii) to (xii) below, conditions 1 to 17 of the Credit Union's approval for Member Personal Current Account Services shall apply and be read as applying equally (with any necessary modifications) to the provision of MBCAS. Subject to this, and for the avoidance of doubt, all definitions and references to MPCAS in the Credit Union's approval shall be read as also including the provision of MBCAS.

Without prejudice to the generality of the foregoing, a **payment account**, a **member's personal current account** and **member payment services** and **Member Personal Current Account Services** otherwise referred to as **MPCAS** shall include, where the context so requires in connection with condition 18, a member business current account and the provision of services in that connection which are equivalent to member payment services and MPCAS and references to consumer shall include, where the context so requires in connection with condition 18, a credit union member that is a micro, small or medium-sized enterprise within the meaning of Commission Recommendation 2003/361/EC or a credit union member that is a charity, club or society, whether incorporated or not.

- (ii) The Credit Union shall only provide a member business current account to a member where the member is a micro, small or medium-sized enterprise within the meaning of Commission Recommendation 2003/361/EC at the time the account is opened or where the member is a charity, club or society, whether incorporated or not.
- (iii) The Credit Union shall include a contractual condition in respect of the provision of the member business current account to members that the account is used exclusively for the business purposes of members which, for the avoidance of doubt, may include purposes directly connected to those for which a charity, club or society has been formed.
- (iv) The Credit Union must notify the Central Bank in writing of its operational readiness to provide MBCAS at least one month before it intends making such services available to its members via an "MBCAS Notification Form" as published by the Central Bank on its website. This notification can be made at the same time as the notification in respect of condition 2 of the Credit Union's approval for Member Personal Current Account Services or later, where relevant.
- (v) Condition 1 of the Credit Union's approval for Member Personal Current Account Services shall not apply in respect of the provision of MBCAS. At the same time as the Credit Union notifies the Central Bank in accordance with condition 18 (iv), the Credit Union must provide the confirmations set out in the "MBCAS Notification Form" referenced in condition 18 (iv).

- (vi) Where the Credit Union has notified the Central Bank in accordance with condition 18 (iv) and provides the confirmation referred to in condition 18(v), condition 3 of the Credit Union's approval for Member Personal Current Account Services shall not apply in respect of the provision of member business current accounts from the date in respect of which the Credit Union has notified the Central Bank that it intends to commence providing MBCAS.
- (vii) Condition 4 of the Credit Union's approval for Member Personal Current Account Services shall not apply in respect of the provision of member business current accounts.
- (viii) The Credit Union may levy fees and charges on member business current accounts.

The Credit Union may charge one off service fees and non-euro transaction fees to a member business current account as they arise and charge transaction and other fees and charges periodically (i.e. monthly, quarterly, etc.).

Third party fees and charges: the Credit Union's schedule of fees and charges must specify any third party fees and charges passed through the member's business current account.

Commission and fees: Where the Credit Union is in receipt of third party commission, including soft commissions and support of material value or a share of fees and charges it must account separately for these in its accounts.

- (ix) The Credit Union shall have separate terms and conditions and fee schedules for member personal current accounts and member business current accounts.
- (x) For the avoidance of doubt, condition 5 of the Credit Union's approval for Member Personal Current Account Services shall be read as also including the following limit in respect of the provision of member business current accounts:
- The maximum permitted overdraft limit on a member business current account is €5,000.
- (xi) Condition 8 of the Credit Union's approval for Member Personal Current Account Services shall include the following:

The Credit Union must account for member business current accounts and transactions separately in its accounts. Audited accounts should contain a note on member business current account balances both credit and debit and outstanding committed funds in the following specimen format:

Business Current Accounts	Number of accounts	Balance of accounts
Credit	500	€1.00m
Debit	200	€0.40m
Permitted overdrafts	250	€0.75m

- (xii) The first paragraph of condition 17 of the Credit Union's approval for Member Personal Current Account Services shall be replaced with the following:

Should the Credit Union decide to cease providing MPCAS and / or MBCAS then it must notify the Central Bank no less than three months before its intended cessation date and provide a cessation plan setting out how its plans to cease the service.

Note: A breach of any of the conditions contained in this Appendix which are ultimately imposed on the credit union may result in the approval to provide the additional service being withdrawn.

MPCAS Risk Management Expectations

Overview

As a condition of a credit union's grant of approval to provide MPCAS, a credit union must confirm to the Central Bank's satisfaction that it has met / fulfilled / implemented the Central Bank's "Member Personal Current Account Services Risk Management Expectations" in the provision of MPCAS, as communicated to the credit union by the Central Bank.

This document, "MPCAS Risk Management Expectations", sets out the Central Banks' expectations of an approved credit union which its MPCAS development and establishment should incorporate. A credit union in fulfilling its conditions of approval will be required to confirm to the Central Bank, to the Central Bank's satisfaction these expectations have been met / fulfilled / implemented. A credit union should be in a position to provide such confirmation by attestation prior to launching the service.

The Central Bank notes the credit union is one of a collaboration of credit unions which intend co-developing and establishing an MPCAS and which have established a shared service facility for this purpose. Such attestation process will be consulted on by the Central Bank, in due course, with the credit union, the collaboration of credit unions and the shared service facility.

The provision of MPCAS requires an ability and capacity to oversee and manage sophisticated, complex technical payment and settlement systems and associated risks along, with credit union specific strategic, legal, regulatory, operational and financial risks. (Included within operational risks are risks arising from outsourcing material business activities.)

Given the economic and social importance of reliable, secure everyday payment accounts, the Central Bank expects credit unions to collaborate in developing and delivering on a safe and reliable service.

The effective oversight and risk management of outsourced activities and information technology systems, payment and settlement processes and associated contractual obligations requires the development of appropriate organisational competencies and deployment of skilled resources to ensure there is effective operational management, compliance, risk oversight, risk management and risk mitigation.

This is a particularly acute requirement where member payment account activity is dependent on links and interfaces integrating differing digitised payment systems such as EFT, mobile and payment card systems.

The credit union is expected to confirm compliance with its obligations under section 76E – 76K of the 1997 Act, which apply to MPCAS service, inter alia to;

- define and implement an effective MPCAS risk management system and systems and controls (s.76B);
- ensure that its risk management, compliance and audit functions develop and implement an MPCAS risk management systems and compliance programme (s.76 C&D);

- define and establish an MPCAS information reporting system (s.76H) to provide management information on the services;
- define and establish an MPCAS business continuity plan (s.76I). In this regard the credit union is expected to ensure that service providers have the capability, capacities, technical, operational and financial resources required for MPCAS business continuity requirements;
- define and implement an MPCAS outsource service operational risk management system and systems and controls (s.76E).

With respect to section 76J(5), the credit union should be particularly mindful of its obligations under section 76J(2) to exercise due skill, care and diligence when entering into, managing or terminating any MPCAS outsource activities with a service provider. It is expected that the credit union in collaboration with other approved credit unions and their shared service facility will ensure that appropriate due diligence risk assessment criteria and standards are defined and established to ensure the credit union can meet its obligations in this respect.

We have set out our expectations under various headings below:

1. CREDIT RISK

Guidance

The provision of overdraft facilities is a new business activity requiring the development of specialised skills in underwriting, risk management, account administration and systems and controls.

Risk Management Expectations

The credit union is to ensure that lending by way of overdraft is included within its risk appetite statement, with lending policy specifically covering overdraft operations, credit risk, underwriting and systems and controls.

The credit union must provide assurance that it has implemented and tested effective overdraft operational policy, procedures and processes, account specifications and supporting systems and controls. Particular attention should be paid to hard-core oversight and management systems and controls.

The credit union is expected to develop and implement a training programme to ensure its staff has the requisite operational management, administrative competencies and risk management abilities to provide MPCAS overdraft facilities to its members.

The credit union should define and implement a risk management system and programme to ensure safe and sound provision of overdraft facilities.

The credit union should retain expertise and obtain advice on and ensure member contractual agreements comply with financial services legislation and are legally enforceable. It is important that in so far as it possible such agreements are standardised and arrangements made to ensure they are kept up to date.

It is expected the credit union, in collaboration with other approved credit unions, will ensure the operational standardisation of overdraft lending policies, processes, operational systems and controls which should reflect best practice and standards in overdraft lending activity.

2. OPERATIONAL RISK

Guidance

A credit union must have the capability to be able to meet all of its obligations to payment service providers, scheme participants and payment service users. Where a credit union offers multiple payment services it should ensure that risks generated in one system do not spill over and affect the soundness of other systems.

Operational arrangements should be designed in a way that a credit union is able to continue to observe applicable oversight obligations including legal, regulatory and operational aspects. In this regard a credit union should have a sufficient understanding of payment system participant's rules, procedures and risk management (including fraud) arrangements.

It is expected that a credit union will employ the expertise required to undertake a comprehensive initial and on-going technical and operational assessment of risks associated with payment services and systems. Relying on third party provider or intermediary agent assurances is not an acceptable substitute to a credit union undertaking, using appropriate expertise, its own on-going systematic review of risks and risk treatments.

Because of the interdependencies between and among systems, a credit union should ensure that its service continuity and crisis management arrangements allow for effective coordination among parties. Agreements should set out accountabilities, responsibilities and remedies in the event of service breakdowns.

Outsourcing partners should be managed appropriately and monitored. A credit union should be able to provide evidence that their outsource partners comply with agreements, applicable standards and service levels. It is particularly important for the credit union to understand what the roles, responsibilities and accountabilities of payment service and payment scheme agents are and for whom intermediaries are acting. Specific risks resulting from outsourcing should be managed explicitly and appropriately through comprehensive and appropriate contract provisions.

These provisions should cover all relevant issues for which the credit union is responsible and should be reflected in actionable service level agreements. Business impact analysis should clearly identify components that are crucial to the smooth functioning of the payment system. Effective and comprehensive contingency plans should be in place in the event of a disaster or incident jeopardizing payment system availability. Such plans should be regularly tested for adequacy and reliability.

In this respect a credit union must be mindful of the entirety its outsourcing obligations under section 76J of the 1997 Act and Credit Union Handbook guidance expectations. The credit union should particularly ensure third party service providers have the financial resources and technical and operational capabilities and capacities to assure service continuity and business continuity to expected industry standards.

Risk management expectations

The credit union is expected to work in close cooperation with other credit unions in the execution of the implementation of MPCAS to ensure agreement on and implementation of operational standardisation. The credit union should ensure MPCAS operational standardisation in collaboration with other approved credit unions and their shared service facility.

Such standardisation should cover inter alia; outsource arrangements, service agreements, product specification and functionality, core processes, procedures, systems of controls and reporting systems. The credit union is to ensure that its ITSP is obligated to provide one standardised product, functionality suite, processes, monitoring and reporting systems to credit unions approved for MPCAS.

A credit union is expected to:

- Ensure that “member personal current account services” operational risk profile is documented with appropriate systems and controls implemented to monitor, report on and manage and mitigate risks.
- Ensure that service critical processes, functions and systems are documented, material risks are recorded and operational and risk management expertise is available to the credit union.
- Ensure that business continuity planning is incorporated within all critical internal and outsourced processes and system recovery is systematically tested.
- Develop and implement a training programme to ensure its staff has the requisite operational management and administrative competencies and risk management abilities to provide MPCAS to its members.
- Develop the capability to assess and monitor all aspects of information security at firm and member account levels. It should document within its risk management framework its obligations as a payment account and payment service provider, participant in a payment scheme and payment service programmes. This includes the operation of member accounts and related contracts and agreements for the issuance or distribution of payment instruments.

The credit union should carefully assess the operational risks related to MPCAS to ensure information security, operational efficiency as well as scalability and reliability of IT and related resources. These include inter alia;

- The scope of a credit union’s information security policy should cover all arrangements, including consumer protection, anti-money laundering and data protection obligations.
- Operational service levels should be documented and agreed with service providers and their agents.
- The credit union should ensure that risk management arrangements, operational models and management and processing capacity are sufficiently scalable and reliable for both current and projected peak volumes of activity processed over services arrangements.
- The functioning of any arrangement including information systems interfaces, synchronisation, links and accounts should be tested and monitored, and incidents should be logged and followed up.

- The credit union should rigorously test all aspects of payment service arrangements before going live and ensure on-going assurance of the effectiveness of business continuity arrangements.
- An analysis of operational and security risks, including EBA guidelines, should be conducted to determine the acceptable risk level and select adequate security policies and appropriate procedures to prevent, detect, contain and correct security violations.
- Appropriate arrangements should be made and tested to ensure that transactions can be processed even when closed for business – bank holidays etc. Systems synchronisation after system failure should be carefully designed and rigorously tested.
- Effective and secure arrangements should be in place and tested for account on-boarding, including the initialisation, personalisation and delivery of cards / devices to users and for the generation of and delivery of personal identification numbers and other secrets (e.g. passwords).
- The credit union’s compliance programme should ensure compliance with all relevant regulatory (including consumer protection) requirements relating to the provision of payment accounts and related services and devices.
- Clear responsibilities or all providers for their respective involvements in the operational performance and issue resolution should be in place and tested.

Service Continuity

The credit union is expected to ensure that MPCAS service continuity is provided for in circumstances where the credit union no longer provides or no longer has the ability to provide the service. Continuity arrangements should be grounded on the operational standardisation of the service and capacity and capability of third party service providers.

3. LIQUIDITY RISK

Guidance

The business is separate to core savings and loans, having its own liquidity profile which is caused by the need to ensure funds are available to make everyday transactions.

Risk management expectations The credit union is expected to:

- Define and put in place an MPCAS liquidity policy, processes and procedures to comply with conditions of service approval.
- Ensure that liquidity assets are separately identifiable within the credit unions accounts and ensure calculation of requisites liquidity is evidenced through a documented policy, procedures and processes.
- Ensure that committed transaction funds are protected in the event of a liquidation.

4. FINANCIAL RISK

Guidance

It is recognised MPCAS business activity proposes a specific financial risk profile. In this regard the credit union should closely monitor and assess MPCAS financial risks to ensure it develops and implements a service that does not put the credit unions funds or members' funds at risk.

Risk management expectations

For supervision purposes the credit union shall ensure that personal current account funds, transaction balances and liquidity assets are identifiable and accounted for separately.

The credit union shall develop and maintain systems and controls that enable it to manage and oversee financial and transactional aspects of its MPCAS.

Ensure that internal audit, risk and compliance officers treat MPCAS as a separate and discreet business activity area for internal audit, risk management and compliance management purposes.

Ensure that the appropriate controls are in place to prevent fraud and mitigate financial losses arising from significant risk events and service failures. Controls should be tested prior to going live.

The credit union should review its risk insurance system to ensure adequate cover is in place.

The credit union should have a feasible and achievable business development plan grounded on realistic revenue and cost expectations to enable the close monitoring and assessment of service financial performance and risk measures.

5. MPCAS BUSINESS MODEL RISK:

In the interests of ensuring successful MPCAS implementation and ongoing MPCAS stability, reliability and resilience, the credit union is required to ensure operational standardisation in collaboration with other approved credit unions and their shared service facility.

A credit union should take account of the necessity for economies of scale, robust alliances with third party service providers and operational standardisation to assure the service is established on a viable and sustainable basis.

Risk management expectations

A credit union working in collaboration with other approved credit unions and their shared service facility is expected to:

- Define and implement a standardised, fully documented MPCAS operational model.
- Define and implement a standardised personal current account having standardised specifications, functionality, processes and procedures.
- Define and implement a common risk management framework based on standards of sound business practice and the Central Bank's expectations.

- Define and implement a common compliance management framework incorporating all applicable financial service legal and regulatory obligations
- Contractually obligate ITSP's to provide one standard Member Personal Current Account having standardised functionality and standardised payment services to enable the delivery of an MPCAS.
- Ensure that third party service providers (and their agents) are entities;
 - a)** of sound financial standing;
 - b)** having strong established business operations and reputation that have the capacity and capability to assure service continuity.

Appendix 4 – Notice of Resolution and Rule Change (Proposed Wording)

1. Notice of Resolution:

Take notice that the following resolution will be presented to the annual general meeting / to a special general meeting / to a meeting of the board of directors of [] Credit Union Limited:

“That as required by Section 48 of the Credit Union Act, 1997 the annual general meeting/special general meeting / meeting of the board of directors of [] Credit Union Limited held on [] hereby approves the provision of the following additional service by the credit union to the members subject to the prior approval of the Registrar of Credit Unions and any other permissions or licences that may be required by law:

Member personal current account services

This business will not be subsidised by [] Credit Union Limited funds and there is no financial risk to members’ funds.”

which resolution must be approved by not less than two thirds of the members present and voting at the Annual General Meeting / Special General Meeting / meeting of the board of directors of [] Credit Union Limited to be held on [].

2. Rule Change

That the Rules of [] Credit Union Limited are hereby amended in [Rule 5(1)¹] by

- the [deletion of number (viii) and the insertion of the following therefore] or [insertion of the following after number (vii)]:

“the provision of the following additional service(s) by the credit union to the members’ subject to the prior approval of the Registrar of Credit Unions and any other permissions or licences that may be required by law:

Member personal current account services²

¹ Note: the credit union should check to ensure the correct rule number (i.e. vii and viii) is referenced. The credit union may already have altered the standard rules to insert these rule numbers for other purposes.

² Note: if the credit union is already approved for other additional services, these should be listed here also.

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Central Bank of Ireland

Eurosystem