Banc Ceannais na hÉireann
Central Bank of Ireland
Eurosystem

Central Bank of Ireland Expectations for Authorisation of Payment and Electronic Money Institutions and Registration of Account Information Service Providers

April 2024

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Introduction

The Central Bank of Ireland (the 'Central Bank') has updated its authorisation expectations for applicant firms seeking authorisation as a Payment Institution ('PI') or an Electronic Money Institution ('EMI'), or registration as an Account Information Service Provider ('AISP')[1]. The expectations contained within this document build on the Central Bank's experience of authorising and supervising firms in the sector, and our previous communications and guidance to industry[2]. They also aim to provide the clarity requested by applicant firms and industry bodies in the course of our engagements.

The Central Bank seeks to anticipate and support innovation in banking and financial services. Innovation in financial services has the capacity to bring many benefits to consumers, businesses, and society and is important for a well-functioning financial system.

Applicant firms seeking to operate in the Irish market and bring innovation to customers reasonably look to be authorised in a timely manner. Our intent is that there is clarity, transparency and predictability for applicant firms looking to be authorised, while maintaining the high standards the public expects for regulated providers of financial services. In publishing these expectations, it is our objective to support applicant firms in understanding their obligations, resulting in applications for authorisation which are more complete and can, in turn, be assessed more quickly by authorisations staff. Poorly thought-out applications, and applicant firms which are unsure of their regulatory obligations, result in delayed assessments. This can be costly for applicant firms and also for the Central Bank.

The authorisation and supervision of firms operating in the PI and EMI sector, is an important and growing part of our mandate. The International Monetary Fund Ireland Financial Sector Assessment Programme - Technical Note on Oversight of Fintech published in 2022, noted the increasing importance of the PI and EMI sector, which represents one of the largest sub-sectors within the broader fintech universe in Ireland.

[1] These expectations apply to AISP applicants apart from those aspects outlined in Appendix 1. Unless stated otherwise, references to 'authorisation' in this document also refer to 'registration'.
[2] See https://www.centralbank.ie/regulation/industry-market-sectors/payment-institutions

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An authorisation granted by the Central Bank is an entry point for firms into the Irish and European financial services market. All firms authorised in Ireland must comply with the standards that are expected of any entity authorised in the EU.

Our approach to authorisation is risk-based and framed in the context of legislation[3], European Banking Authority ('EBA') guidelines and corporate governance best practice. We will continue to engage with applicant firms in an open and constructive manner, with a clear, well-structured, predictable and timely authorisation process. The purpose of this predictability is twofold – applicant firms will know what to expect from us, and we can outline what will be expected of them in terms of deliverables and timelines.

Our authorisation objectives, as set out below, are consistent with our post-authorisation supervisory objectives and, therefore, applicant firms need to demonstrate through their authorisation application that they can maintain compliance when authorised. With open banking, digital assets, cross border innovation, and expansionary activity, the nature and extent of opportunities and risks are evolving. We have no appetite for the crystallisation of risks that would materially undermine the achievement of our supervisory objectives. Our overarching supervisory objective is to ensure that we have a stable, resilient and trustworthy financial sector, sustainably operating in the best interests of the public, consumers and the wider economy.

Central Bank's Authorisation Objectives

It is expected by the Central Bank that firms will:

1. Protect consumers and safeguard users' funds.
2. Be financially and operationally resilient.
3. Have business models which are viable and sustainable.
4. Be able to demonstrate an appropriate level of 'substance' in Ireland, resulting in firms which are well governed, with appropriate cultures, effective risk management and control arrangements in place.

[3] The European Communities (Electronic Money) Regulations 2011 (as amended), and the European Union (Payment Services) Regulations 2018.

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5. Be able to recover critical or important business services from a significant unplanned disruption, while minimising impact and protecting their customers and the integrity of the financial system.
6. If they cannot recover, be able to exit the market in a safe and orderly manner.

Overview of the Authorisation Assessment Process

The aim of the Central Bank is to authorise, in a timely manner, those applicant firms which demonstrate that they can meet their regulatory obligations both at the point of authorisation and post-authorisation. In this regard, we are transparent with applicant firms in relation to the status of their application, and will provide them with the earliest possible understanding of how their application benchmarks to their regulatory obligations.

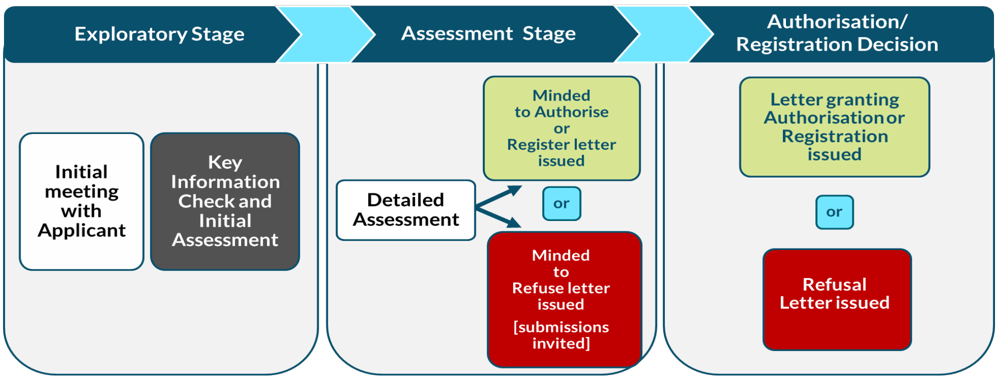
The authorisation assessment process consists of the following three stages:

1. **Exploratory Stage**

   This consists of two phases:

   - Initial meeting with the applicant firm; and
   - Submission of required information (Key Information Check) and initial assessment;

2. **Assessment Stage;** and
3. **Authorisation/Registration Decision Stage.**



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Exploratory Stage

The Exploratory Stage is designed to support applicant firms and facilitates constructive engagement with them. It involves bespoke meetings between applicant firms and the PIEMI Authorisation Team to specifically discuss, at an early stage in the process, inter alia, the applicant firm's proposed business model, programme of operations and governance framework. This engagement complements the established early engagement route via the Central Bank's Innovation Hub. Applicant firms have an opportunity to discuss any questions they may have regarding the assessment process, and the requirements pertaining to their specific business model.

1. Initial meeting with the applicant firm

All potential applicant firms are invited to attend an initial meeting with the Central Bank. The purpose of this meeting is to enable:

- The applicant firm to outline its proposal, including submission of a Key Facts Document ('KFD'). Applicant firms should use this meeting, and the KFD, to provide assurance to the Central Bank that they are adequately prepared to commence the assessment process, and are capable of meeting their regulatory obligations at the point of authorisation and into the future. Applicant firms should also use the meeting as an opportunity to obtain clarity on any areas of uncertainty.
- The Central Bank to:
    - provide greater clarity in relation to the assessment process, and the standards required for authorisation;
    - identify any initial matters with the proposal which, if not addressed, would preclude the application from proceeding; and
    - highlight any issues/areas of focus which need to be specifically addressed in an application.

2. Submission of required information (Key Information Check) and initial assessment

This phase, in addition to a documentation check, encompasses an initial assessment as to whether the applicant firm is likely to meet the Central Bank's expectations. Where the outcome is positive, such applications will progress in a timely manner to the Assessment Stage. At this juncture, an applicant firm is assigned to a specific case manager who will lead the assessment, and will be the primary point of contact for the applicant firm during the assessment process.

Assessment Stage

During this stage the Central Bank conducts its assessment of the application. This is the point at which the Authorisations Service Standards[4] Clock Commences[5]. The stage is iterative in nature, however, this can be minimised through the submission of a high quality application. Detailed assessment meetings in relation to one or more areas of the proposal will be undertaken. In order for the application to progress in a timely manner, applicant firms should be resourced to provide prompt and comprehensive responses to any queries raised. Delays in responding elongate the assessment timeline and may lead to an application becoming dormant[6]. Should the latter arise, an applicant firm, in the event that it subsequently re-engages with the Central Bank, may be required to recommence the assessment process from the start depending on the materiality of changes made to the application. Throughout the assessment process, if matters arise that the applicant firm is not able to address, the Central Bank may deem the application incomplete, and discontinue the assessment. This is a last resort step following a prolonged period of non-response by an applicant firm to queries raised, or where an applicant firm is not remediating within its application the issues raised. Should this arise, a detailed rationale will be provided to the applicant firm in a timely manner.

At the end of the assessment process, the Central Bank will notify the applicant firm of the outcome of its assessment. If the outcome of the assessment is favourable, a letter (the 'Minded To Authorise/Register' letter) will issue stating that it is proposed to authorise/register the applicant firm on the basis of the information provided in its application submission. The letter will include, inter alia, requirements to be addressed prior to a final decision being taken, conditions to be addressed post-authorisation, and the proposed level of capital to be held[7].

In the event that the Central Bank is not satisfied following the conclusion of its assessment phase that it can authorise/register the applicant firm, a 'Minded to Refuse'

[4] The Central Bank has committed to these Standards. Performance against the Standards is published semi-annually.
[5] This provides that 90% of assessments should be completed within 90 business days of commencement of the assessment phase.
[6] An application becomes dormant where an applicant firm does not respond to an information request/queries from the Central Bank within 60 business days of being issued.
[7] Conditions and capital do not apply to AISPs.

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letter will issue. This will include the reason(s) for the Central Bank's proposed decision. The letter will specify the period within which the applicant firm may make submissions in writing in relation to the proposed refusal. The Central Bank will consider any submissions made before making a decision on the matter.

Authorisation/Registration Decision Stage

Positive Outcome

Subject to the pre-authorisation/registration requirements in the 'Minded to Authorise/Register' letter being addressed, no new adverse information coming to the Central Bank's attention in the interim, and agreement from the applicant firm as to the proposed conditions and capital[7], a letter granting authorisation/registration will issue. Thereafter, the applicant firm will be able to commence its regulated activities.

Where a 'Minded to Refuse' letter has issued, the Central Bank will review any submissions made by the applicant firm. If these submissions have allayed its preliminary concerns, the applicant firm may be authorised/registered, or authorised/registered subject to certain conditions (for PIs and EMIs) and requirements being met.

Negative Outcome

Following the issue of a 'Minded to Refuse' letter, the Central Bank will review any submissions received from the applicant firm. If the Central Bank is still not satisfied to approve an application following the review of any submissions to a 'Minded to Refuse' letter, it will issue a letter of refusal.

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Timelines

The time taken to receive an authorisation decision is primarily dependent on the preparedness of an applicant firm to undertake the assessment process, and on the quality and timeliness of submissions. The Central Bank will, in accordance with relevant legislation,[8] complete its assessment within three months of the receipt of the application or, if the application is incomplete, within three months of receiving all of the information required for the Central Bank to make a decision on the application. Experience suggests that it can take over twelve months for applicant firms to provide all of the information necessary to enable a decision to be made.

Central Bank Authorisation Expectations

Authorisation assessments are conducted on a case-by-case basis, with the nature, scale and complexity of an application being a major consideration both in the focus of the assessment, and the overall application of proportionality within the assessment. Applicant firms which demonstrate that they meet the Central Bank's expectations typically move smoothly through the assessment process.

General

- The Central Bank encourages potential applicant firms to engage early in relation to their business proposal. In this regard, such firms should consider initially engaging with the Central Bank's Innovation Hub[9]. Once a firm has a concrete authorisation proposal, which can be clearly articulated and explained, it should seek engagement with the PIEMI Authorisation Team (contact - applications@centralbank.ie). There is close engagement between the Innovation Hub, the PIEMI Authorisation Team and the Supervision Team during the course of an assessment.

[8] Regulation 12 of the European Communities (Electronic Money) Regulations 2011 (as amended) or Regulation 23 of the European Union (Payment Services) Regulations 2018.
[9] https://www.centralbank.ie/regulation/innovation-hub

- Applicant firms must consider whether the proposed business model requires more than one type of authorisation, and take the appropriate steps to seek the required authorisations.
- Applicant firms should ensure that all submissions are of an appropriate standard, good quality, and have obtained all necessary approvals prior to submission. Submissions should also be provided in a timely manner.
- Prior to engaging with the Central Bank, applicant firms should have a comprehensive understanding of the legislation and regulatory requirements relevant to their sector:
  - Regulatory Requirements and Guidance for Electronic Money Institutions
  - Regulatory Requirements and Guidance for Payment Institutions
  - Where applicable, the Markets in Crypto Assets Regulation[10].
- Applicant firms, particularly those proposing significant levels of passporting or outsourcing, should detail the rationale for seeking authorisation in Ireland.

[10] https://www.centralbank.ie/regulation/markets-in-crypto-assets-regulation

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Top 5 Challenges experienced in Authorisation Assessments

- **Inadequate Preparation and Application Completeness**

  We experience applicant firms which are not adequately prepared both prior to engaging with the Central Bank in relation to potential authorisation, and at the point of submission of an application. This manifests itself in poor quality submissions which lack sufficient detail.

  Applicant firms which have made the necessary senior appointments early in the process generally submit a more complete application and, therefore, tend to progress through the assessment process in a timelier manner.

- **Lack of clarity/changing Business Models**

  An inability to describe the proposed business model and customer offering in a clearly understandable manner, and/or substantial changes made by applicant firms to their proposed business model during the course of the assessment, will result in a prolonged assessment.

- **Delays in Responding**

  We have, in a number of cases, experienced inordinate delays by applicant firms in responding to queries or providing requested clarification.

- **Localised Risk Frameworks**

  We expect applicant firms to have local risk frameworks in place to ensure that local risks are effectively managed. In many cases, we see group risk frameworks submitted which do not achieve that outcome.

- **Pre-Approval Controlled Function ('PCF') Suitability**

  Fitness and Probity ('F&P') assessment is a key part of the authorisation assessment. We continue to encounter:

  - Delays by applicant firms in identifying and proposing candidates for PCF roles; and
  - Candidates being proposed that do not possess the necessary qualifications, skills, or experience to perform the relevant role.

  The above will result in the assessment process being unnecessarily elongated. Applicant firms are expected to identify candidates in a timely manner, and to perform appropriate due diligence prior to candidates being formally proposed to the Central Bank for assessment. Applicant firms are also encouraged to utilise existing Central Bank guidance on the F&P Process here including the FAQ, or engage directly with their case manager where there is doubt.

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Governance

Applicant firms must have governance arrangements in place which are commensurate with the nature, scale and complexity of the business, and seek to ensure effective risk management and control arrangements are in operation. The Central Bank's governance expectations are founded on our supervisory experience, and are in line with best practice corporate governance guidelines. In particular:

Board Composition

- Applicant firms should ensure that the Board is of sufficient size and expertise to adequately oversee the operations of the firm;
- Boards must consist of an appropriate balance of executive, non-executive and independent non-executive directors;
- The independent non-executive directors should have a knowledge and understanding of the business, risks and material activities of the firm to enable them to contribute effectively; and
- The independent non-executive directors should comprise individuals with relevant skills, experience and knowledge (such as accounting, auditing and risk management knowledge) who will provide an independent challenge to the executive directors of the board.

Staffing

A key Central Bank authorisation and supervisory objective (as stated previously) is that firms are well governed, with appropriate cultures, effective risk management and control arrangements in place. Therefore, an assessment of proposed PCF role holders[11] is a key part of the Central Bank's gatekeeping role. The Central Bank's expectations as to when applicant firms should have the required senior staff in place is founded on a phased approach. It is determined on a case-by-case basis, with applicant firms having the flexibility to build out their senior management team as the assessment of their application progresses and, based on the nature, scale and complexity, post-authorisation as the firm becomes operational.

[11] https://www.centralbank.ie/regulation/how-we-regulate/fitness-probity

There are four key stages where the Central Bank will need to ensure that appropriate resources are in place. These are at the point of:

1. Submission of Key Information Check information;
2. Issuing of the 'Minded to Authorise/Register' Letter;
3. Issuing of the Letter granting Authorisation/Registration; and
4. Operationalisation of the applicant firm.

While, as stated above, the appropriateness of resources will be determined at each stage on a case-by-case basis, applicant firms which have made senior appointments (for example Chair and Chief Executive Officer) at the application point tend to progress through the authorisation process in a more timely manner, particularly, as they are well positioned to discuss the firm's proposed risk management frameworks, proposed business model and governance, and address feedback from the Central Bank at the earliest point. Resources should be mapped to the proposed operations and the management of risks, to enable the Central Bank to determine the adequacy of proposed resourcing.

PCF roles

Candidates

Candidates proposed for PCF roles must have the necessary qualifications and experience to perform the role. The Central Bank expects an applicant firm to have conducted its own due diligence before proposing a candidate for appointment to a PCF role and, accordingly, only propose suitable candidates. Where this is not the case, the firm's application may be paused. Candidates should be prepared to attend for interview[12].

Residence

The Central Bank needs to be satisfied that those in governance roles have active oversight over a firm's operations and, therefore, would expect key role holders to have sufficient proximity to undertake their roles.

[12] Candidates should refer to the Central Bank's Fitness and Probity Interview Guide: https://www.centralbank.ie/docs/default-source/regulation/how-we-regulate/fitness-probity/fitness-and-probity-interview-guide.pdf?sfvrsn=8d8d8f1d_5

Proposals for candidates to perform more than one PCF role

Proposals to triple hat roles present significant doubt as to the commitment of an applicant firm to have adequate governance in place. Applications which have included proposals for triple hatting have not been approved to date.

Dual hatting may be permitted within an applicant firm on a case-by-case basis, depending on the nature, scale and complexity of the proposal, and insofar as there is no potential or perceived blurring of the three lines of defence. Any proposal for dual hatting of PCF roles should be accompanied by a detailed rationale setting out how the role holder would have sufficient capacity, and the appropriate qualifications/experience, to effectively perform the proposed roles.

Interim Appointees

Interim appointees will only be permitted in exceptional circumstances, given the significant role which the executive PCF role holders play in leading an applicant firm through the authorisation assessment process, and also in leading the applicant firm, should it be authorised, post-authorisation as a regulated financial service provider[13].

Succession Planning

It is our experience that, in this sector, leadership turnover can be high. Given the dynamic nature of the sector, it is prudent that succession plans are in place to mitigate risks arising from departures of PCF role holders including members of the Board and senior management team. The focus of such plans must be on ensuring continuity and good governance.

Diversity & Inclusion

Given the importance of diversity and inclusion to fostering effective culture, applicant firms are expected to clearly demonstrate their approach to diversity and inclusion, particularly at senior level, to prevent groupthink and promote internal challenge.

Safeguarding

Safeguarding of customers' funds is of paramount importance to the Central Bank. As there is significant potential for consumer detriment if a firm has not adequately

[13] This is in line with Regulation 11 of SI No 437/2011 Central Bank Reform Act 2010 (Sections 20 and 22) Regulations 2011.

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safeguarded users' funds, the Central Bank has no tolerance for weaknesses in safeguarding arrangements. The Central Bank requires policies and procedures to be embedded by the applicant firm, demonstrating control and oversight by senior management over the safeguarding process. Applicant firms, when developing and documenting their safeguarding framework, should take note of Appendix 1 of the Central Bank's Safeguarding Notice dated 25 May 2023 which provides guidance on what safeguarding organisational arrangements/frameworks should include [14].

General

- Firms must have a comprehensive, clearly articulated, and well formulated safeguarding framework in place including, where applicable, the segregation of funds (to include, inter alia, the prevention of co-mingling of users' and non-users' funds, and delays in segregating funds following receipt), the appropriate designation of safeguarding account(s), reconciliation processes, ownership, controls, access rights to safeguarding accounts, and appropriate and timely escalation (including reporting to the Central Bank) should safeguarding issues arise. Transaction approval authority regarding safeguarding accounts must reside within the local legal entity and not with group or outsourced providers, where applicable;
- The second and third lines of defence are expected to provide regular challenge to, and oversight of, all safeguarding arrangements[15].

Safeguarding methods

- Where one or more banking partners are selected for safeguarding, such partners must be authorised within the EEA. Applicant firms must detail the due diligence process undertaken to select the banking partner(s), and any thresholds that may trigger the requirement for additional banking partners to be on-boarded;
- For applicant firms intending to invest safeguarded funds in assets, the applicant firm must document, to the satisfaction of the Central Bank, that such assets are secure, liquid and low risk, are in compliance with the European Union (Payment

[14] https://www.centralbank.ie/docs/default-source/regulation/industry-market-sectors/payment-institutions/safeguarding-notice-to-piemis-published-25-may-2023.pdf?sfvrsn=1c179e1d_4
[15] https://www.centralbank.ie/docs/default-source/regulation/industry-market-sectors/payment-institutions/dear-ceo-letter-supervisory-findings-and-expectations-for-payment-and-electronic-money-firms.pdf?sfvrsn=408d981d_3

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Services) Regulations 2018 ('PSR') and the European Communities (Electronic Money) Regulations 2011 (as amended), and are subject to appropriate risk management. The assets should be held in a separate segregated account designated for the benefit of the firm's clients, with an authorised custodian; and

- Applicant firms proposing to apply the insurance/comparable guarantee method must demonstrate to the satisfaction of the Central Bank that they will have appropriate cover in place at all times. A copy of the insurance policy/guarantee will need to be submitted.

Business Model & Financial Projections

- Applicant firms must be able to clearly explain their proposed business model and customer offering in a straightforward manner;
- The explanation must include details of the products offered, the processes through which they will be delivered, and underlying assumptions;
- Applicant firms must clearly distinguish between regulated and unregulated activities;
- Applicant firms must be able to clearly demonstrate the viability and sustainability of their strategy, business model, and programme of operations for the first three years of operation. To assist in this, the Central Bank has developed a standardised business model template, which will be shared with applicant firms at the point of application. Applicant firms will be required to complete and submit the template with their application; and
- Detailed financial projections must be provided including details of underpinning assumptions. Assumptions which are lacking in credibility will preclude an application from progressing to authorisation. Projections covering a three year horizon should be provided using a base case, a severe but plausible downside case, and a plausible upside case.

Capital

Applicant firms must have robust capital governance and planning systems in place and, therefore, be able to demonstrate and substantiate that they will have adequate and timely sources of funding to:

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- Inject the proposed initial capital prior to a decision on authorisation (following issue of the 'Minded to Authorise' letter); and
- Meet their capital requirements on an on-going basis for the first three years of operation, including addressing vulnerabilities stemming from enterprise-wide risks and in periods of stress (evidenced through stress tested projections).

Outsourcing

- Applicant firms which are proposing to outsource activities must be satisfied that they can adhere to the EBA Guidelines on outsourcing arrangements (EBA/GL/2019/02)[16] and the Central Bank of Ireland – Cross Industry Guidance on Outsourcing. A gap analysis demonstrating compliance with these guidance documents must be submitted;
- Applicant firms must be able to demonstrate that they have the capability to fully manage any activities which are outsourced;
- Second line of defence functions, including compliance and risk management, are not permitted to be outsourced. However, support activities within these functions may be outsourced[17]; and
- The third line of defence may be outsourced provided a compelling rationale for so doing is submitted, and that the Central Bank is satisfied with the proposed outsourcing arrangements.

Risk Management

Applicant firms must have a clear organisational structure in place with well-defined, consistent lines of responsibility, effective processes to identify, manage, monitor and report risks, adequate internal control mechanisms and practices that are consistent with, and which promote, effective risk management. Details must be submitted with the application.

Applicant firms must incorporate the three lines of defence model and, in particular, must have:

- A Risk Register which details the key risks to which the applicant firm will be exposed and mitigants;

[16] https://www.eba.europa.eu/regulation-and-policy/internal-governance/guidelines-on-outsourcing-arrangements
[17] The appropriateness of such arrangements will be assessed by the Central Bank on a case-by-case basis.

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- A Risk Management Framework, which documents the procedures to identify, manage, report (including to the Board) and mitigate the risks inherent in the applicant firm's proposal. Applicant firms which are a subsidiary within a group may utilise a group framework provided it has been appropriately tailored for the applicant firm and approved by the applicant firm's Board;
- A Risk Appetite Statement ('RAS'). This should include:
    - An appropriate level of granularity;
    - Quantitative and qualitative metrics/KPIs/limits/thresholds, which are appropriately calibrated for the risks inherent in the application;
    - Prescribed actions and responsibilities assigned where a limit or threshold is breached;
    - Monitoring and reporting procedures, including frequency of review of the RAS to ensure that it remains appropriate; and
    - Evidence as to the manner in which the RAS will be embedded within the decision making process of the applicant firm.

The Central Bank expects the Risk Management Function to be based within the applicant firm, and for the Chief Risk Officer to have access to the Board.

Anti-Money Laundering ('AML')/Countering the Financing of Terrorism ('CFT')

The financial system must be protected from use for money laundering or terrorist financing activities. Protecting the financial system from money laundering and terrorist financing is of the utmost importance to the Central Bank. Firms operating in the PI and EMI sector are classified as designated persons under the Criminal Justice (Money Laundering and Terrorist Financing) Act 2010 (as amended) ('CJA 2010'). As a designated person, firms are subject to the obligations of the CJA 2010 and, in particular, the obligations set out in Part 4. Firms must demonstrate that they invest in and maintain strong AML/CFT compliance frameworks to protect the financial system, consumers, and the wider public from money laundering and terrorist financing. One of the Central Bank's key expectations for an effective AML/CFT control framework is that it is based on a money laundering and terrorist financing risk assessment that specifically focusses on the money laundering and terrorist financing risks arising from the firm's business model. The risk assessment should drive the design and implementation of the firm's framework such that it ensures there are robust controls to mitigate and manage

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the risks identified through the risk assessment. The Central Bank's view is that a "tick box" or rules-based approach to risk assessment is not fit for purpose and does not meet regulatory expectations. Applicant firms must be aware of their obligations under the CJA 2010 and demonstrate compliance with same, by evidencing a strong understanding of the ML/TF risks associated with their business model, and providing a clear and comprehensive outline of the proposed AML/CFT control framework. A Central Bank 'Anti-Money Laundering, Counter Terrorist Financing and Financial Sanctions Risk Evaluation Questionnaire for PI and EMI Applicants form' must accompany the application submission. This sets out full details regarding the information that an applicant firm must submit in relation to AML/CFT obligations. Before completing this form, applicant firms should give due consideration to any relevant guidelines and communications to industry, which clearly set out the Central Bank's expectations in relation to credit and financial institutions' compliance with the CJA 2010, together with other relevant guidelines issued by relevant bodies such as the EBA. These, and other relevant information relating to AML/CFT supervision, are available on the AML/CFT pages of the Central Bank website: https://www.centralbank.ie/regulation/anti-money-laundering-and-countering-the-financing-of-terrorism/guidance-on-risk.

Compliance Function

Applicant firms must have an effective Compliance Function in place, which is overseen by a Head of Compliance. A Compliance Policy or Charter should clearly set out the roles and responsibilities of the Compliance Function. A Compliance Monitoring Plan should be established which outlines the compliance assurance activities that will be undertaken by the Compliance Function. Applicant firms are also expected to have compliance policies in place, including a Whistleblowing Policy and a Conflicts of Interest Policy, as well as any other policies relevant to the applicant firm's business model.

The Central Bank expects the Compliance Function to be based within the applicant firm, and that the Head of Compliance will have access to the Board.

Internal Audit Function

Applicant firms must have an effective Internal Audit Function in place, which is overseen by a Head of Internal Audit. An Internal Audit Charter should clearly set out the roles and responsibilities of the Internal Audit Function. The Internal Audit Function must be independent of the first and second lines of defence, and should have a reporting line directly to the Board of Directors. Applicant firms will be expected to submit a draft internal audit plan during the Assessment Stage which outlines, at a high-level, the audits that will be conducted during the first three years post-authorisation. The Internal Audit Function will be expected to undertake an audit of safeguarding arrangements on, at least, an annual basis. Where the Internal Audit Function is proposed to be outsourced to a Group or third party entity, the applicant firm must exercise adequate oversight of the outsourcing arrangement, ensure that a clear and comprehensive Service Level Agreement is in place, and ensure that the Outsource Service Provider is suitably skilled and has the appropriate knowledge of the relevant legal and regulatory requirements. In the context of outsourcing, it is particularly important that the Head of Internal Audit must be available to meet with the Central Bank at any time to discuss the risk profile of the firm and internal audit related matters.

Information Technology

Applicant firms must have information technology systems commensurate with the nature, scale and complexity of proposed operations and regulatory obligations. Firms must be able to exercise demonstrable control and oversight of IT risk, including for outsourced IT services (both intra-group and third parties). In this regard, there should be adequate local risk management staff, in terms of numbers and expertise, as well as appropriate local internal governance such that the firm has the clear ability to identify, measure and monitor IT risk, and can demonstrate the transparency of IT related governance and decision-making. A key feature of the application process will include assessment of the applicant firm's IT risk management framework, policies and procedures. In this regard, applicant firms should ensure alignment with relevant IT risk management legislation and/or guidelines.

Qualifying Shareholders

Applicant firms must be able to demonstrate the suitability of:

- All natural and legal persons having a direct or indirect qualifying holding in an applicant firm; and
- Executive directors of the above legal persons.

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Group Activities

Where applicant firms are part of a group, they should describe group activities (regulated and unregulated) in addition to any ongoing dependence on the group for financial and operational support.

In cases where there are cost plus revenue models/transfer pricing models, the submission must include an explanation of the economic rationale for the proposal from a group perspective.

Consumer Protection

In addition to the conduct related sections of the PSR, the Central Bank's Consumer Protection Code[18] is applicable to PIs and EMIs. In this regard, applicant firms:

- Are expected to have in place a conduct risk framework that demonstrates compliance with this code/the PSR;[19]
- Must be able to demonstrate that they will act honestly, fairly and professionally, provide customers with information which they need to make an informed decision, correct errors, and handle any complaints speedily, efficiently and fairly; and
- Are expected to have in place a vulnerable customer framework that outlines the arrangements and additional assistance required for such customers.

Business Continuity

Applicant firms should be able to demonstrate that they will have adequate business continuity arrangements in place. This would include, inter alia:

- a standalone Business Continuity Plan ('BCP') owned and approved annually by the Board, and supported by the senior management team;
- a business impact analysis detailing potential business impact events, recovery options, responsible staff, reporting etc.; and
- regular testing of the BCP with the results being provided to the Board.

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[18] https://www.centralbank.ie/docs/default-source/regulation/consumer-protection/other-codes-of-conduct/4-gns-4-2-7-cp-code-2012.pdf

[19] It should be noted that the Central Bank has been undertaking a review of the code with the aim of introducing a revised code in 2024.

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Wind-Down Plan

Applicant firms must submit a detailed wind-down plan outlining how the firm would manage an orderly wind-down of its business while minimising customer detriment, including details regarding the safe return of all users' funds.

An effective wind-down plan typically includes the following components (please note that this list is not exhaustive):

1) **Governance and Escalation Process:** The wind-down plan should outline the governance process to be followed during crisis management, including committee structures, the management team involved in decision-making, timelines for escalation and, where applicable, the reporting structures back to group.

2) **Scenarios:** The applicant firm should consider the various scenarios that could lead to it no longer being viable and where it is compelled to wind down its business. For the purposes of this wind-down plan submission, the applicant firm should outline the scenarios considered and then select one scenario to work through its operational plan.

3) **Risk Management:** Details of how the wind-down plan forms part of the applicant firm's risk management framework. This should include a clear risk appetite and effective risk identification, appropriate risk metrics and early warning indicators with clearly set thresholds, strong management information and reporting processes to ensure that the applicant firm can identify emerging risks to its business and intervene as necessary.

4) **Resources:** An assessment of the resources, both financial and non-financial, that are required to support an orderly wind-down. For example, this should include the level of staffing required and how the applicant firm would retain staff during the wind-down. The applicant firm should identify any critical outsourcing relationships and the relevant exit clauses for each provider etc.

5) **Stakeholder Impact Assessment:** The applicant firm should identify and seek to mitigate any adverse impacts the wind-down will have on consumers, counterparties and the wider markets.

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6) **Users' Funds:** The process to be followed to ensure the safe return of all users' funds, including timelines and the various stakeholders involved, e.g. the bank where the funds are held, the insurance company holding the insurance policy, liquidator etc.

7) **Operational Plan:** The plan should include the steps to be taken to effect the wind-down of the applicant firm in an orderly manner, the relevant timelines involved, relevant stakeholders etc.

8) **Communication Plan**: The wind-down plan should include a predetermined communications plan that considers the contents and timing of communications to a wide range of stakeholders, including customers, employees, service providers, shareholders, regulators etc.

9) **Group Impacts:** Where applicable, the plan should set out the interactions with the group, how the applicant firm's wind-down plan will be impacted by group activities, and any dependencies on group, e.g. in terms of governance, financial and operations support.

Culture and Conduct

Culture

Having the right culture is an important consideration for the Central Bank in assessing an application for authorisation. The applicant firm's culture must drive appropriate outcomes from a regulatory, strategic and consumer perspective. While outcomes can generally only be assessed once a firm is fully operational, the Central Bank will review the attitude, behaviour, and competence of the applicant firm's senior management during the course of the assessment, as well as the firm's governance arrangements, controls and key processes. Poor engagement by an applicant firm with the Central Bank during an authorisation assessment may indicate that the firm post-authorisation will adopt a similar approach.

Conduct

The Central Bank (Individual Accountability Framework) Act, 2023 includes Common Conduct Standards, which are a set of expected standards of conduct which apply[20] to certain individuals in all regulated firms, and the Additional Conduct Standards which apply to senior executives in all regulated firms. Please refer to the Guidance on the

[20] Since 29 December 2023.

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Conduct Standards contained in the Central Bank's Guidance on the Individual Accountability Framework.[21]

Insurance

The relevant EBA Guidelines on the criteria on how to stipulate the minimum monetary amount of the professional indemnity insurance ('PII') or other comparable guarantee under Article 5(4) of PSD2[22] provide guidance on the PII required for AISPs and Payment Initiation Service Providers.

The EBA has developed a tool for "Calculating Professional Indemnity Insurance and Comparable Guarantee Under PSD2" to provide guidance on PII calculations. Applicant firms are advised to use this tool and submit the figures used along with the resulting calculation as part of their application submission. This means that a copy of the EBA calculator (in excel format) using the applicant firm's figures should be submitted as part of the application.

Data Protection

Applicant firms must:

- Clearly set out how the firm intends to satisfy the requirements of the General Data Protection Regulations particularly, where applicable, regarding the transfer of data outside the EU;
- Provide details of the risk based approach taken to data storage and data processing locations as set out in Guideline 83 of the EBA Guidelines on Outsourcing Arrangements; and
- Clearly set out how the firm has assessed the different risks referred to in section 5.5 Offshoring Risk of the Central Bank of Ireland – Cross Industry Guidance on Outsourcing.

In particular, where customer data is proposed to be held outside of the EU, it must either:

[21] https://www.centralbank.ie/docs/default-source/publications/consultation-papers/cp153/appendix-2-to-the-feedback-statement-to-cp153-guidance-on-the-iaf.pdf?sfvrsn=5fdf9d1d_4

[22] https://www.eba.europa.eu/sites/default/files/documents/10180/1901998/6411f24d-e430-4e05-ab03-1393a3f865cb/Final%20Guidelines%20on%20PII%20under%20PSD2%20%28EBA-GL-2017-08%29.pdf

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- Be held in a jurisdiction with data protection requirements equivalent to those in the EU i.e. transferred to an 'adequate' third country based on an 'Adequacy Decision' by the European Commission; or
- In the absence of an 'Adequacy Decision', the applicant firm must provide details of appropriate safeguards, and on condition that enforceable rights and effective legal remedies are available for individuals. Such appropriate safeguards include contractual arrangements with the recipient of the personal data, using, for example, the standard contractual clauses approved by the European Commission.

Climate

Applicant firms have a role in tackling the climate challenge. Firms should demonstrate how they will ensure that their operations are resilient to climate-related risks, and how they intend to support the transition to a net zero economy.

Further Information

Further information may be obtained by addressing any queries to the following mailbox: applications@centralbank.ie

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Appendix 1 - Expectations for Registration of Account Information Service Providers

The expectations applicable to PIs and EMIs, set out in this document, also apply to the registration of Account Information Service Providers ('AISPs') with the exception of the following:

Safeguarding

Safeguarding does not apply.

Capital

Capital expectations do not apply.

Wind Down Plans

The expectations apply to AISPs with the exception that plans do not need to address users' funds.

AML/CFT

The expectations will only apply to those AISPs which meet the definition of a 'designated person' under section 25(4) of the Criminal Justice Act, 2010 (as amended) here. This will include the requirement to appoint a Head of Anti-Money Laundering and Counter Terrorist Financing Legislation Compliance (PCF 52 role holder) and a Money Laundering Reporting Officer.

In this regard, AISPs should, at a relatively early stage in the registration process, assess whether or not they meet the criteria to be a 'designated person'.

In addition to the above, in recognising that AISPs pose less risk to the financial system/consumers than PIs or EMIs, the Central Bank may, on a case-by-case basis, apply greater flexibility to its expectations than would be appropriate for PIs or EMIs.

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Appendix 2 – Innovation Engagement

Over the last number of years, the Central Bank has significantly enhanced its engagement with the innovative ecosystem. We see this engagement as a way for us to better deliver on our mission to serve the public interest, in particular by:

- **Deepening our understanding of innovation in the financial services sector** – so that we can better understand the opportunities and risks for consumers and the economy.
- **Better informing our regulatory approach** – allowing us to ensure that our regulation is aligned with a well-functioning financial system, based on good levels of competition and innovation.
- **Better explaining to innovative firms what being regulated entails** – so firms can build regulatory requirements and safeguards into their early stage development, and are better prepared for the responsibilities that come as a regulated firm.
- **Embedding a regulatory culture in our firms** – as firms with strong governance and risk management foundations are well set up for growth and innovation.

In this vein, our innovation engagement has been very valuable – both for the Central Bank and the innovative ecosystem in Ireland. Since we first launched our own Innovation Hub in 2018, we have been continuously evolving our approach. In this regard, Consultation Paper 156 "*Central Bank approach to innovation engagement in financial services*" (February 2024) – included proposals to:

- **Enhance our Hub** to deliver deeper, clearer and more informed engagement; and
- **Establish an Innovation Sandbox Programme**, aimed at innovative initiatives which are consistent with our public policy objectives.

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