



Authorisation as a Credit Institution (Bank) in Ireland

The following document is intended to provide an overview of the key issues which arise and need to be considered when applying for bank authorisation in Ireland. The information provided is accurate as at October 2016.

Overview

The authorisation process for a credit institution licence in Ireland is intensive. This is not surprising as an authorisation confers the ability to provide banking services, including the taking of deposits and indeed the potential to provide a full range of regulated financial services, in Ireland.

The Central Bank of Ireland (“**CBI**”) requires at a minimum that the “mind and management” of every entity that it authorises has its mind and management in Ireland. Senior management will be expected to live in Ireland and to be available to the CBI should this be required. The governance requirements set out in Directive 2013/36/EU (“**CRD IV**”) are applicable to all credit institutions authorised in the European Union¹.

Introduction to Bank Authorisation in Ireland

We note that the proposed applicant is considering seeking an authorisation for a new Irish entity in order to provide banking services from Ireland and as such is looking to understand the authorisation requirements that will apply.

The European Central Bank (the “**ECB**”) is the competent authority in Ireland for the granting of banking licences. All applications for authorisation in Ireland are submitted to the CBI. The CBI is the sole regulatory authority with statutory functions and powers for the authorisation and supervision of banks in Ireland and also has responsibility for enforcement. The ECB reviews applications to ensure they are in accordance with EU law.

The principal stages in the authorisation process are as follows:

1. Exploratory Phase;
2. Submission of an application and assessment of the application by the ECB and the Central Bank; and
3. Decision by the ECB on whether to grant a banking licence.

1. http://ec.europa.eu/finance/bank/regcapital/legislation-in-force/index_en.htm

An overview of each phase is provided below.

Stage 1: Exploratory Phase

As a first step, the applicant should contact the CBI in order to arrange a preliminary meeting. Following the preliminary meeting, the applicant then submits a preliminary, outline proposal to the CBI.

As part of the proposal, the information requirements outlined in the instructions "*Checklist for completing and submitting applications for Bank Licence Applications*" must be provided to the CBI². This checklist sets out pertinent categories of information regarding an application for authorisation and the applicant should expand on the required information according to the specific nature of the proposal.

As part of this process a detailed business plan must be prepared and submitted. This is a significant document and typically can be 100 pages in length. An authorised individual (Director level) must sign the proposal, which may be amended to address comments issued by the CBI.

The applicant is required to submit draft copies of all significant policies that will be put in place within the applicant organisation along with the proposal to the CBI. Whilst the CBI acknowledges that such policies will have to be approved by the board of the applicant post authorisation, it is imperative that the drafts are at an advanced stage at the time of submission with the proposal.

The CBI will then undertake a detailed review of the outline proposal. As part of this review, it will issue comments advising the applicant of any further information or clarifications required in relation to any aspect of the proposal.

Having reviewed the proposal, the CBI will provide a preliminary view to the applicant as to whether the applicant should pursue its application for authorisation.

It is important to note that a preliminary view by the CBI that an applicant should pursue its application is not an indication that the application will be successful. The primary explanation for this relates to the fact that the ultimate decision on authorisation is made by the CBI in conjunction with the ECB, the latter of which will not be involved in the exploratory phase.

Indeed, notwithstanding a negative preliminary view expressed by the CBI, an applicant is free to submit an application for consideration by both the ECB and the CBI.

Stage 2: Submission of application to the ECB and CBI

At this stage, the applicant will submit its formal application to the CBI. Assessment of the application will be undertaken by the CBI and the ECB. All reasonable steps must be taken by the applicant to ensure that the information provided in support of the application is accurate and complete. Two hard copies and one soft copy of each application must be submitted.

2. <http://www.centralbank.ie/regulation/industry-sectors/credit-institutions/Pages/authorisation.aspx>

Please note that the information contained in this document are not intended to provide, and do not constitute or comprise, legal advice on any particular matter and are provided for general information purposes only.

The principal areas considered in evaluating banking licence applications include:

- Overview of the Parent / Group to which the applicant belongs;
- Consolidated Supervision of Parent / Group entities;
- Ownership Structure;
- Applicant's Objectives and Proposed Operations;
- Legal Structure;
- Organisation of the Applicant (including corporate governance arrangements, fitness and probity of key personnel, etc);
- Risk Oversight;
- Capital, Funding, and Solvency Projections;
- Financial Information and Projections; and
- Business Continuity.

The Central Bank's precise requirements, in relation to each of these headings, are detailed in the checklist referred to in the introduction.

The Central Bank and the ECB will carefully review the application and accompanying documentation. As part of this review, the Central Bank will again issue comments advising the applicant of any further information or clarifications required in relation to aspects of the application. In reviewing the application, there is particular focus on corporate governance and oversight arrangements, risk management, internal controls, the business plan, and capital and financial projections. In this regard, all applicants will be required to operate in accordance with the information provided in support of the application for a banking licence.

It is difficult to estimate the total time it will take for a final decision to be issued, and this will depend on:

- The time taken by the applicant to respond to comments issued on each draft of the proposal and application;
- The quality of the responses received addressing all issues raised;
- Any changes made by the applicant during the authorisation process; and
- The time taken by any relevant third parties to respond to queries in relation to the application.

Stage 3: Final Decision on Grant of Banking Licence

When the review of the application has been satisfactorily completed, the ECB will make a decision on whether to grant a banking licence. A banking licence will only be granted where the ECB and the Central Bank are satisfied that the applicant complies with the authorisation requirements.

The Central Bank will reject an application where the applicant does not comply with the conditions for authorisation in accordance with Irish law. Similarly, the ECB will object where the conditions of authorisation in European Union Law are not met.

Key considerations on the authorisation process and ongoing obligations

- Mind and management to be located in Ireland with any outsourcing appropriately documented;
- €5,000,000 Minimum capital with CRD IV considerations potentially requiring more initial minimum capital (we can provide further detail on the capital requirements upon request);
- Once authorised there is an obligation on an ongoing basis to perform an internal capital adequacy assessment process (“**ICAAP**”);
- There are extensive reporting requirements for credit institutions;
- Corporate governance obligations at an Irish and European level;
- Administrative Sanctions for failure to comply with regulatory and supervisory requirements; and
- PRISM risk rating and supervision system.