



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

Guidelines for applicants seeking a banking licence under Section 9 of the Central Bank Act 1971

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Introduction

This document provides guidance in relation to the requirements for establishing a credit institution in Ireland in order to comply with Section 7 of the Central Bank Act, 1971. It does not apply to applicants seeking to establish a credit institution in accordance with Section 9A of the Central Bank Act, 1971 ('Third Country branches') for which a separate guidance document has been published.

The document does not constitute legal advice nor does it seek to interpret relevant legislation.

Competent Authority

The European Central Bank (the 'ECB') is the competent authority in Ireland for the granting of banking licences in accordance with Section 9 of the Central Bank Act, 1971 (as amended) (the 'Act').

Article 14 of the SSM Regulation (no 1024/2013 of 15 October 2013) provides that all applications for a banking licence in Ireland are to be submitted to the Central Bank of Ireland (the 'Central Bank') in accordance with the requirements set out in national legislation.

Legislative Background

Section 7 of the Act provides that *'Subject to the provisions of this Act, a person, other than a Bank, shall not, in or outside the State, carry on banking business or hold himself out or represent himself as a banker or as carrying on banking business or on behalf of any other person accept deposits or other repayable funds from the public, unless he is the holder of a licence'*.

Article 8 of the Capital Requirements Directive 2013/36/EC relating to the requirements for access to the activity of credit institutions requires that *'Member States shall require credit institutions to obtain authorisation before commencing their activities'*.

The ECB and/or the Central Bank will be responsible for the supervision of compliance by credit institutions with the relevant legislation and requirements.

Advance determination by the Applicant

In advance of contacting the Central Bank, applicants should determine that:

- i. the proposed business model requires a Banking Licence, including meeting the definition of 'banking business' in the Act;
- ii. the proposed business model is:
 - a) clearly defined;
 - b) viable and sustainable;
 - c) capital accretive; and
 - d) based on credible revenue and customer number projections in the market(s) in which the applicant intends to operate;
- iii. the entity, if authorised, will comply on an ongoing basis with the requirements of the Central Bank and the ECB and with all applicable Irish and EU legislation.

In undertaking this determination, applicants should be familiar with all requirements and legislation applicable to credit institutions in Ireland.

On the basis that the applicant has satisfied itself that it meets i. to iii above, the applicant should contact the Central Bank to arrange an initial meeting to discuss its proposal. This can be done via the mailbox bank.authorisations@centralbank.ie.

Overview of the Assessment Process

At the initial meeting, the Central Bank will provide an overview of the authorisation assessment process, which consists of three principal stages:

1. Exploratory Phase.
2. Submission of a draft application, which will be subject to a detailed assessment by the Central Bank and the ECB.
3. Submission of a formal application, completion of the assessment, and decision by the ECB on whether to grant a banking licence.

Exploratory Phase

Following the initial meeting, referred to above, if the applicant is minded to proceed, the Exploratory Phase will commence. The purpose of the Exploratory Phase is to:

- Provide the Central Bank/ECB with a detailed insight into the nature and scope of the proposal;
- Provide the applicant with further insight into the Central Bank/ECB requirements and approach to the assessment; and
- Identify any issues that would preclude the applicant proceeding to Phase 2 – the submission of a Draft Application.

The Central Bank will issue a guidance document on the format of the Exploratory Phase submission required from the applicant to commence the assessment process. The applicant will be required to provide a detailed information pack addressing a number of key areas including¹:

- Ownership/Organisational Structure and Governance;
- Staffing of the entity;
- Strategy, Business Model and Risk Appetite;
- Portfolio Overview;
- Risk Management;
- Outsourcing;
- Technology Platforms;
- Booking Models;
- Regulatory Capital;
- Funding and Liquidity;
- Financial Projections – Base Case and Stress Case;
- Business Continuity; and
- Recovery and Resolution.

These areas will be explored with the applicant during a series of meetings. If significant issues of concern are identified during the Exploratory Phase, which in the view of the Central Bank preclude the assessment from moving to the second stage of assessment, these will be highlighted to the applicant.

¹ The areas will be determined following the initial meeting with the applicant.

As part of the Exploratory Phase, where applicable, the consolidated supervisor must have granted approval to the applicant to submit an application to establish a credit institution in Ireland.

Submission of a Draft Application

Should the assessment progress to the second stage, the applicant will be invited to submit a draft application for authorisation. The Central Bank will highlight specific areas of concern², if any, identified as part of the Exploratory Phase which will need to be addressed in the draft application. The draft application should follow the format of and include all information required by the Central Bank's checklist. The generic checklist ['Checklist for Completing and Submitting Bank Licence Applications under section 9 of the Central Bank Act 1971'] is published on the Central Bank website [here](#). However, the checklist will be tailored to the specificities of the applicant's proposal following the completion of the Exploratory Phase. The checklist must be accompanied by all supporting documentation. The checklist does not purport to comprehensively refer to all pertinent information regarding an application for authorisation, and the applicant should expand on the information sought, where necessary. The submission of the draft application, referenced to the checklist, should be subject to an appropriate internal governance process within the applicant prior to submission to the Central Bank.

The Central Bank and ECB will conduct a detailed assessment of the draft application. The assessment process is highly iterative and will consist of a large number of meetings and conference calls, as well as requests for clarification and further information. Applicants should ensure that they are adequately resourced to provide the required information on a timely basis. Failure to do so is likely to result in an extended period of assessment.

At the end of this phase, the Central Bank 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 view by the Central Bank that an applicant should pursue its application is not an indication that the application will be successful. The reasons for this are:

- a. Decisions on authorisation are made by the ECB;
- b. Further detailed assessment of the application will be performed by the Central Bank and ECB.

² These are issues which, while significant, do not preclude the applicant moving to the second stage of the assessment.

Notwithstanding a negative preliminary view expressed by the Central Bank, an applicant is free, at any time, to submit an application for consideration by the ECB and the Central Bank.

Submission of an Application

The application submitted must incorporate all amendments required by the Central Bank/ECB identified during the assessment of the draft application. The remainder of the assessment work will then be completed. At the end of this phase, the ECB will make a decision on whether to grant a banking licence. A banking licence will only be granted where an applicant complies with all of the authorisation requirements.

Length of the Assessment Period

The total time for licensing will mainly be determined by:

- The nature, scale and complexity of the proposal;
- The preparedness of the applicant to undertake the authorisation assessment process. This includes having an appropriately resourced project team in place;
- The quality and timeliness of submissions by the applicant; and
- Any changes to the proposal made by the applicant during the authorisation assessment process.

Further Information

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

T: +353 (0)1 224 6000
E: bank.authorisations@centralbank.ie
www.centralbank.ie



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