



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

2013

Feedback Statement on Consultation Paper CP67 - Consultation on Authorisation of Regulated Firms, Funds and Intermediaries:

Process Improvements and Service Standards



Contents

1. Executive Summary	2
2. Introduction.....	4
3. Process Improvements Strategy for high volume processes.....	5
4. Insurance Undertakings Authorisation	7
5. Funds and Fund Service Providers Authorisation	8
6. Investment Firms Authorisation	10
7. Application Fees	11
8. Feedback on Authorisation Process	12
9. Service Standards.....	13
Appendix 1 – Submissions received	15

1. Executive Summary

On 26th July 2013, the Central Bank of Ireland (“the Bank”) published Consultation Paper “CP67 Consultation on Authorisation of Regulated Firms, Funds and Intermediaries: Process Improvements and Service Standards”. The closing date for comments was 28th October 2013: 9 responses were received, which are listed in Appendix 1.

The submissions covered 4 main areas: (1) IT functionality; (2) requests for clarification on issues; (3) suggestions for changes to the proposed service standards and (4) comments regarding the application fees.

The Bank’s view on these matters is set out in detail in sections 3 to 8 and is summarised below:

The suggestion regarding the phasing in of the new funds authorisation IT system has been accepted. More details of the approach to be taken will be communicated in Q1 2014. It should be noted that rigorous testing of the new funds authorisation system will take place and that a small number of law firms will be invited to participate in this IT exercise. The suggestions in relation to functionality are noted and will be taken into account in the design of the system. Once the new authorisation systems are implemented for the funds and retail intermediaries sectors all communications will be electronic.

Having considered the submissions made, it is the Bank’s intention to return incomplete investment firms application within 1 week (for level 1 firms) and within 2 weeks for all other firms. As the proposed service standard A1.4 applies to a number of different firm types, the Bank does not plan to publish a separate service standard for investment firms.

The service standards being introduced for the funds sector are the maximum periods that will apply. Regarding incomplete fund applications (other than Qualifying Investor Funds (QIFs) and Qualifying Investor Alternative Investment Fund (QIAIFs)), it is our intention to return as them as promptly as possible. A service standard for incomplete QIF / QIAIF application does not arise because by definition, such applications must be complete, if they are to avail of the 24 hour turnaround time. Where QIF / QIAIF applications are incomplete, they will be returned on the day they are received.

The Bank has considered the suggestion to include fund service providers (including SMICs) applications in the same category as funds. It has been decided not to accede to this request because such applications require filing of detailed information, which needs to be comprehensively assessed by the Bank.

The Authorisation Service Standards to be introduced with effect from 1 January 2013 are outlined in section 9.

2. Introduction

On 26th July 2013, the Central Bank (“Bank”) published Consultation Paper CP67 Consultation on Authorisation of Regulated Firms, Funds and Intermediaries: Process Improvements and Service Standards. The closing date for comments was 28th October and 9 responses were received.

CP67 described the programme of work at the Bank to improve the authorisation processes applied to firms, funds and intermediaries with the goal of improving efficiency and timeliness of response, while maintaining rigorous assessment of new applicants. It also set out proposed new service standards for authorisation activities across a variety of sectors and the proposed dates for their introduction.

This paper summarises the feedback received from the 9 respondents along with the Bank’s comments and decisions. All submissions are available on the Consultation Papers section of www.centralbank.ie. Section 9 sets out the timelines for the introduction of the service standards.

3. Process Improvements Strategy for high volume processes

It was suggested that the new system be introduced on a phased basis, and that a help line be available to assist new users with the system. The Bank was asked to clarify whether the Online Reporting System (ONR) and the new online portal will operate as 2 separate systems; and what information should be submitted on which system.

In relation to functionality, a number of suggestions were made, including: (a) making it simple to upload a file, (b) that one person should be able to both enter and approve a submission, and (c) that firms should be able to track progress of their application and view documents submitted. Concerns were expressed about the new portal's 'availability' in light of experience with ONR. Issuing login credentials speedily was also stressed. It was also commented that the ONR 'submit a query facility' causes delays for simple queries.

Questions were raised on whether (a) original signatures are needed on documents to be submitted, (b) pre-submissions are to be made via the portal, (c) firms would be notified when the Central Bank issued comments on an application, (d) the Bank would provide original copies of the authorisation.

Central Bank: The suggestion regarding the phasing in of the new funds authorisation IT system has been accepted. It should be noted that rigorous testing of the new system will take place and that a small number of law firms will be requesting to participate in this IT exercise. Our aim is to integrate the new portal and ONR in 2014, but for an initial period, the 2 systems will have to be used. Guidance on what information should be submitted via ONR and what should be submitted via the portal will be provided in Q1 2014. The Bank will examine ways to assist new users who have queries with how to operate the system and this will be communicated in Q1 2014.

The suggestions in relation to functionality are noted and will be taken into account in the design of the system. The Bank does not propose to accede to the request that one person should be able to both enter and approve a submission, as this would be in breach of good practice relating to internal controls.

In relation to ONR, the Bank considers it to be a robust system and it is available 99.8% of the time. Similarly, the Bank considers that the ONR 'submit a query facility' is working well with 87% of queries (5,028 of a total of 5,791 queries) being answered within 2 working days. Both these metrics relate to the first nine months of 2013.

Once the new system is implemented all communications will be electronic, with the exception of pre-submissions which should be made directly to the relevant Authorisations team.

4. Insurance Undertakings Authorisation

In relation to the authorisation process for insurers, clarification was requested in relation to the current practice of submitting an advance draft of an application.

It was suggested that the proposed service standards be benchmarked against other jurisdictions and that Special Purpose Reinsurance Vehicles (SPRVs) applications be subject to the same authorisation timelines as QIFs.

Central Bank: Applicant Insurance firms are encouraged to contact the Authorisations Team in the Bank for a preliminary meeting to discuss the application and the information requirements for a complete application. The Bank will publish guidance on what constitutes a complete application in Q1 2014 which will address, inter alia, the issue of submitting an advance draft of an application. The proposed service standards have been benchmarked against other jurisdictions and are considered reasonable in this regard. The Bank has recently published its updated Requirements for SPRVs and has offered a limited consultation to industry. As SPRVs are insurance vehicles and hence carry risk, they are not in our view similar to QIFs and are therefore not suitable for a fast track process.

5. Funds and Fund Service Providers Authorisation

The Bank's commitment to publish guidance on what constitutes a complete application was welcomed. It was requested that this guidance also address the circumstances when an application is deemed to have lapsed. Clarification was requested as to whether Self-Managed Investment Companies (SMICs); Key Investor Information Document (KIID) and Risk Mitigation Plans (RMP) are to be included in Q1 2014 launch. It was also queried if SMICs will be allowed to submit documentation such as Professional Indemnity Insurance (PII) and minimum capital compliance at a later stage in the process and if this would affect the Bank's assessment as to whether an application is complete or incomplete. The Bank was asked to clarify if any steps had been removed from the authorisation process that that may have an impact on the processes of law firms.

It was suggested that the timelines for assessing complete fund applications (standards A2.2 and A2.3) could be shortened. It was also suggested that returning incomplete applications (A2.4) after 2 weeks would cause problems, particularly for the authorisation of QIAIFs.

It was recommended that SMICs and fund service providers be moved from the firms' category of service standards (A1) to the fund category (A2). All submissions recommended the selection of option 1 for the funds authorisation service standards. One submission suggested option 1 would be enhanced with the inclusion of timelines for issuing first and subsequent comments.

Central Bank: The Bank will publish guidance on what constitutes a complete application for funds and fund service providers in Q1 2014. Applications for the authorisation of SMICs will be processed through the new automated system; and KIIDs and RMPs are to be uploaded electronically to the new portal. For SMICs, PII and capital arrangements must be disclosed in the application at submission stage. The ‘electronically signed confirmation of capital’ must be submitted as part of final documents submission via the new portal. In streamlining the authorisation process, the steps removed relate to internal Central Bank processes, and not those that would affect the work of law firms.

The service standards being introduced are the maximum periods that will apply. Regarding incomplete fund applications (other than QIFs / QIAIFs), it is our intention to return them as speedily as possible. A service standard for incomplete QIF / QIAIF application does not arise because by definition, such applications must be complete, if they are to avail of the 24 hour turnaround time.

The Bank has considered the suggestion to include fund service providers (including SMICs) applications in the same category as funds. It has been decided not to accede to this request because such applications require filing of detailed information, which is comprehensively assessed by the Bank.

As noted in section 9, the Bank will be introducing the service standards outlined in Option 1 of the Consultation Paper. These standards measure the overall time the fund application is under review within the Bank. The time which a fund takes to address matters raised by the Bank during the process is not included in the service standard measure.

6. Investment Firms Authorisation

Clarification regarding the proposed timelines for the new 2 tier process for investment firms was requested. It was suggested that guidance be provided on (a) the differentiation between level 1 and 2 firms, (b) definition of legal opinion, (c) what happens when threshold of submissions is reached, (d) how dormant applications are handled, and (e) definition of significant change to business plan.

It was suggested that the incomplete entity applications (standard A1.4) timelines could be shortened. It was also submitted that the measurement of the time taken to process applications should commence when an application is received in the Bank, and not when it is adjudged to be complete.

Central Bank: Draft guidance on the authorisation process for investment firms was issued to industry stakeholders in November 2013. The feedback from that informal consultation and the matters raised in this consultation will be addressed in the final guidance, which will be issued in Q1 2014.

It is the Bank's intention to return incomplete level 1 applications within 1 week and incomplete level 2 applications within 2 weeks. As the proposed service standard A1.4 applies to a number of different firm types, the Bank will not be publishing a separate service standard for investment firms.

Once an application is confirmed as complete, the date that will be used for measuring processing time will be the initial date the application was received.

7. Application Fees

The proposed consultation on the new application fee structure was welcomed. In advance of the consultation, some submissions suggested that application fees may act as a barrier to enter the financial services industry. It was suggested that a fee should not be charged for restructurings.

Guidance on the application fees was requested. It was suggested that the new application fees should only apply once service standards have been implemented. Finally it was queried as to when the payment of the fee would reduce the amount of the levy collected.

Central Bank: It is envisaged that the process of consultation on the quantum of application fees will commence in Q1 next year. In deciding the amount of the application fees to be charged, due consideration of the amounts charged in other jurisdictions will be taken into account. The Bank has not yet decided its policy regarding the applicability or otherwise of application fees where a regulated entity is simply re-structuring its business.

Guidance in relation to application fees will be issued in 2014, when the new regime is being implemented.

8. Feedback on Authorisation Process

It was suggested that a summary of the post authorisation feedback should be published quarterly. It was also recommended that feedback could be provided on an anonymous basis so as not to damage relationships.

Central Bank: The Bank would be happy to provide a summary of the feedback received in the periodic reports it plans to publish on performance against the service standards. In order for feedback to be assessed in a meaningful way, the Bank considers that it needs to be specific. We do not consider that such feedback would damage relationships as one of the principles that the Bank espouses is ‘being accountable for its performance’.

9. Service Standards

The service standards being introduced by the Bank are set out in tables 9.1, 9.2 and 9.3. Since the publication of the consultation paper, the Bank has become responsible for the authorisation of debt management firms and is shortly to become responsible for the authorisation of trust or company service providers. The Bank intends to extend the authorisation standards to these sectors in Quarter 4 2014.

9.1. Firms (Banks, Insurance Undertakings, Fund Service Providers¹, Payment Firms², Bureaux de Change Businesses, Moneylenders, MiFID Firms, Investment Firms and Regulated Markets)

Standard	Target	Standards Commence ³
A1.1 To process complete applications	100% within 6 months of becoming complete	Q1 2014
A1.2 To process complete applications	75% within 3 months of becoming complete	Q1 2014
A.1.3 To process complete renewals ⁴	90% within 2 months of becoming complete at peak period (June/July); 90% within 1 month of becoming complete at all other times	Q4 2014
A1.4 To return incomplete applications	100% within 2 weeks of receipt	Q1 2014

¹ Fund service providers include depositaries, fund administrators, UCITS managers, AIFMs, AIF Management Companies, and self-managed investment companies (UCITS and AIFs)

² Payment Firms include Payment Institutions, Electronic Money Institutions and Money Transmission Businesses

³ Standards for Fund Service Providers will commence in Q2 2014; standards for Payment Firms, Bureaux De Change Businesses and Moneylenders will commence in Q4 2014.

⁴ Applies to Moneylenders only

9.2. Funds

Standard	Target	Standards Commence
A2.1 To process complete QIF/QIAIFs ⁵ applications	100% within 24 hours of becoming complete	Q2 2014
A2.2 To process complete clone umbrella/sub-fund applications	100% within 3 weeks of becoming complete	Q2 2014
A2.3 To process complete fund applications, other than clone umbrella/sub-fund applications	100% within 6 weeks of becoming complete	Q2 2014
A2.4 To return incomplete applications, other than QIF/QIAIF	100% within 2 weeks of receipt	Q2 2014

9.3. Retail Intermediaries

Standard	Target	Standards Commence
A3.1 To process complete applications	90% within 3 months of becoming complete	Q4 2014
A3.2 To return incomplete applications	100% within 2 weeks of receipt	Q4 2014

⁵ QIF/QIAIF are terms defined in the Central Bank's draft AIF Rulebook.

Appendix 1 – Submissions received

1. A and L Goodbody
2. Dublin International Insurance and Management Association
3. Insurance Ireland
4. Irish Brokers Association
5. Irish Funds Industry Association
6. Maples and Calder
7. Professional Irish Brokers Association
8. William Fry - Funds
9. William Fry – Reinsurance

Copies of the submissions, together with this Feedback Statement are available on the Consultation Papers section of www.centralbank.ie.

T +353 1 224 5302 F +353 1 478 9928 www.centralbank.ie AuthorisationStandards@centralbank.ie



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

Bosca PO 559, Sráid an Dáma, Baile Átha Cliath 2, Éire
PO Box No 559, Dame Street, Dublin 2, Ireland