



Banc Ceannais na hÉireann
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Authorisation Requirements and Standards for Bureaux de Change Businesses



Authorisation Requirements and Standards for
Bureaux de Change Businesses
(‘the Requirements’)

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1.0 INTRODUCTION

Part V of the Central Bank Act, 1997 (as amended) requires the Central Bank of Ireland ('Central Bank') to authorise and supervise Bureaux de Change Businesses.

A person (legal or natural) shall not carry on a Bureau De Change Business unless the person is a holder of an authorisation from the Central Bank. (Please refer to Appendix 1.) Legal advice should be sought if in any doubt about the scope or applicability of the legislation.

Applicants should contact the Central Bank, to discuss their outline proposal, at an early stage should they consider that their proposed activities require authorisation. (Application documentation is available at www.centralbank.ie) The Central Bank shall not grant an authorisation to a person to operate as a Bureau de Change Business unless the person demonstrates:

- a) that it satisfies the legislative requirements and the 'Authorisation Requirements and Standards' set out in this document; and
- b) its ability to comply with the requirements on an ongoing basis (post authorisation).

Applicants are required to submit a completed 'Application for Authorisation under Part V of the Central Bank Act 1997 (as amended) as a Bureau de Change Business' with required supporting information and documentation¹. The time scale for considering applications will depend greatly upon the quality of the information provided. All directors, qualifying shareholders and senior management (i.e. persons who hold key posts) will be subject to a strict assessment procedure in respect of probity and competence.

¹ Please refer to the Guidance Note on Completing and Submitting an Application for Authorisation under Part V of the Central Bank Act 1997 (as amended) as a Bureau de Change Business [the 'Guidance Note']

At any time before the grant or refusal of an authorisation the Central Bank may request the applicant to supply further information and records relating to the proposed activities or instruct an authorised officer to make enquiries or carry out investigations as may be necessary for the purpose of evaluating properly the application.

The provisions of Section 36A of Part V of the Central Bank Act 1997, as amended, should be borne in mind when considering whether or not to submit an application for authorisation. (For example, the Central Bank may revoke an authorisation on being satisfied on reasonable grounds that the holder of the authorisation has not begun to carry on a regulated business within 12 months after the date on which authorisation was granted or the authorisation was obtained by means of a false or misleading representation.)

An annual levy is payable calculated in accordance with the funding requirements as laid down in the Central Bank Act, 1942 (Sections 33J and 33 K) and relevant Regulations in force from year to year.

Applicants must also be aware of their obligations under Section 149A of the Consumer Credit Act, 1995 (as amended) regarding the application of fees and charges in respect of a service or services provided to customers.

2.0 BUSINESS AND OWNERSHIP STRUCTURE

- 2.1 The applicant must have clearly defined objectives and the proposed operations must be consistent with the principles enshrined in the legislation relating to Bureau de Change Business, these Requirements, and all other, current, published requirements.
- 2.2 The applicant's ownership and business structure must be clear and transparent.

- 2.3 The applicant shall satisfy the Central Bank that the organisation of the applicant's business structure is such that it, and any of its associated or related undertakings, (as far as appropriate and practicable) are capable of being supervised adequately by the Central Bank.
- 2.4 The applicant shall satisfy the Central Bank that its memorandum and articles of association, or other constituting documents, will enable it to operate in accordance with the legislation, these Requirements, and any condition or requirement that the Central Bank may impose.
- 2.5 The applicant must satisfy the Central Bank as to the conduct of its business, financial resources and any other matters that the Central Bank considers necessary in the interests of the proper and orderly regulation and supervision of authorised firms or in the interests of the protection of clients/potential clients.

The applicant's most recent financial statements (if applicable) and detailed financial projections (i.e. a profit and loss account, balance sheet, and relevant notes thereto) are required as part of the authorisation process.

- 2.6 The applicant must satisfy the Central Bank as to the suitability of each of its qualifying shareholders.

A qualifying shareholder means a person who has or controls a qualifying holding. Qualifying holding means a direct or indirect holding of shares or other interest in the applicant which holding represents 10 per cent or more of the capital or of the voting rights or any direct or indirect holding of less than 10 per cent, which in opinion of the Central Bank, makes it possible to control or exercise a significant influence over the management of the applicant².

² Please refer to the Guidance Note for required information/documentation.

The applicant must provide evidence of the registered owners of the shares, both direct and indirect, where it is an incorporated body.

In the case of a body corporate, the prior approval of the Central Bank must be sought for any transfer of shares, which would result in the transferee controlling more than 10 per cent of the shares, voting rights attaching to shares or other interests in Bureaux de Change.

Where a shareholding, registered in the name of a nominee, constitutes more than 10 per cent of shares or of the voting rights attaching to shares in a Bureau de Change, the ultimate beneficial ownership of shares so held must be identified by the firm to the Central Bank.

- 2.7 The prior approval of the Central Bank must be sought in respect of any proposed material change of ownership, i.e., proposed changes in direct and indirect qualifying shareholders³.
- 2.8 Once in each financial year, or at such other times as the Central Bank may direct, a Bureau de Change Business must provide the Central Bank with full particulars of the names of all shareholders of 10 per cent or more of its share capital, both direct and indirect.
- 2.9 Where applicable, a detailed organisation chart must be provided with all group companies listed and details of any regulatory approvals.

3.0 BOARD AND MANAGEMENT

- 3.1 The Bureau de Change Business must maintain its Head Office and have a substantial presence within the State. The Central Bank must have the ability to communicate with and meet the management of the operations within the State.

³ Includes existing qualifying shareholders and the proposed introduction of new qualifying shareholders.

- 3.2 Records must be kept in the State and a manager must reside in the State and should be available to explain any transaction the Central Bank wishes to review.
- 3.3 The applicant must satisfy the Central Bank as to its:
- (a) organisational structure, and the management skills of the Bureau De Change Business, and that adequate levels of staff and expertise will be employed to carry out its activities; and
 - (b) ability to carry out its proposed activities and have an adequate level of resources (e.g. systems) the Central Bank considers necessary in the interest of the proper and orderly regulation of the financial services industry.
- 3.4 The applicant must satisfy the Central Bank as to the probity and competence of each of the firm's directors (if applicable), senior management and qualifying shareholders.

The Central Bank applies a "fit and proper" test to proposed directors, senior management and qualifying shareholders i.e. persons must be of integrity and be competent. In this regard an 'Individual Questionnaire' must be completed and submitted to the Central Bank for processing⁴.

- 3.5 All proposed appointments to the Board of Directors of Bureaux de Change Businesses and senior management positions (including the Money Laundering Reporting Officer) are subject to the prior approval of the Central Bank.
- 3.6 All resignations and departures from senior management and the Boards of Bureaux de Change Businesses must be notified to the Central Bank including details of the reason for the resignation/ departure.

⁴ In relation to approval of directors, senior managers and qualifying shareholders, please note that a new Fitness and Probity Regime came into effect on 1 December 2011. Full details in relation to the new regime are available in the Financial Regulation/Fitness and Probity section of the Central Bank's website, www.centralbank.ie.

4.0 ORGANISATIONAL REQUIREMENTS

Business Plan

- 4.1 An applicant shall submit a detailed business plan in the format, and containing the information, set out in Appendix 2 of the Guidance Note. (The business plan should include details of the proposed business model.)

Systems and Controls

- 4.2 The Central Bank requires that an entity shall manage its business in accordance with sound administrative and accounting principles and will have in place, and maintain, internal control and reporting arrangements and procedures to ensure that the business is managed in accordance with the legislation relating to Bureau de Change Business, these Requirements, all other, current, published requirements and ensure that the business is managed in accordance with industry best practice.
- 4.3 The applicant must satisfy the Central Bank that its procedures will enable the Central Bank to be supplied with all information necessary for the performance of the Central Bank's supervisory functions and to enable the public to be supplied with information that the Central Bank specifies.
- 4.4 The Central Bank must be satisfied that:
- (a) Directors (where applicable) and senior management exercise adequate control over the entity;
 - (b) Comprehensive risk management systems commensurate with the scope, size and complexity of the entity are in place; and
- (The systems should incorporate continuous measuring, monitoring and controlling of risk. There should also be accurate and reliable management information systems, timely management reporting and thorough audit and control procedures.)

(c) Where the nature, scale and complexity of the operations warrant it, a properly staffed internal audit function exists which has direct access to the Board.

- 4.5 The Bureau de Change Business must satisfy the Central Bank that it has:
- (a) adequate arrangements in place to protect the interests of its clients; and
 - (b) procedures in place to prevent potential conflicts of interests arising in the conduct of different types of activity. If a conflict arises it must be resolved fairly for all parties.

4.6 A Bureau de Change Business is required to maintain a designated bank account for Bureau de Change Business.

Monies from Bureau de Change Business must be kept separate from monies of other activities and go through this designated bank account.

4.7 A Bureau de Change Business must be aware of and monitor, on an ongoing basis, all risks to its business and maintain adequate technical, organisational and procedural safeguards to prevent and detect threats to its security.

Disaster Recovery Procedures

4.8 The Central Bank requires that all regulated firms have effective disaster recovery procedures in place.

5.0 TRANSACTION RECEIPTS

5.1 Transaction Receipts must be issued for each transaction.

5.2 Transaction Receipts must contain:

- (a) Bureau de Change Business's name and (if applicable) trading name;
- (b) Bureau de Change registration number;

- (c) Date the transaction is executed;
- (d) Amount and Currency tendered;
- (e) Charges applied;
- (f) Exchange rate;
- (g) Amount and Currency to be received; and
- (h) Receipt/Transaction Number.

5.3 The transaction details must be kept for at least five years.

5.4 There must be a clear audit trail in respect of each transaction.

6.0 FEES AND CHARGES

6.1 A Bureau de Change that wishes to impose charges or change its charging structure is required under Section 149A of the Consumer Credit Act, 1995 (as amended) to notify the Central Bank and obtain prior approval.

Under Section 12 of the Consumer Credit Act, 1995 (as amended) it is an offence for a person to impose a charge that has not been previously notified to the Central Bank, as required by Section 149A(2).

When submitting a notification, or for further information regarding the notification process set out under Section 149A of the Consumer Credit Act, 1995 (as amended), please contact the Central Bank.

6.2 Charges and fees for services must be clearly disclosed to all clients. A list of charges, fees, and exchange rates must be disclosed prominently at the point of transaction to all clients and on leaflets, promotional material and website produced by or on behalf of the Bureau de Change Business, as appropriate. Applicants should ensure that any agents acting on behalf of the Bureau de Change Business comply with this requirement.

6.3 The customer should be pre-advised of actual or possible third-party charges (e.g. correspondent banks) and consent to such charges.

6.4 The customer must consent to the exchange rate in advance of the transaction.

7.0 INFORMATION AND REGULATORY DISCLOSURE

7.1 The following information must be made available at the location of the transaction in a format that the customer can take away with them:

- (a) Service terms and conditions, including service options and charges;
- (b) Regulatory disclosure statement (see below); and
- (c) Contact details, to include:
 - Name of Bureau de Change business;
 - Registered Address;
 - Telephone Number;
 - Fax Number;
 - E-mail; and
 - Website (if applicable).

7.2 A Bureau de Change business must include a regulatory disclosure statement on its business stationery; in all advertisements; and on all electronic communications with consumers including on the home page of its website, if any.

7.3 A Bureau de Change business must only use the regulatory disclosure statement on its business stationery or electronic communications in connection with activities for which it is authorised by the Central Bank.

7.4 A Bureau de Change business must use separate business stationery and electronic communications where it engages in an activity that falls outside of its Central Bank authorisation.

7.5 In the case of a website, a Bureau de Change business must have separate sections for the activities that fall inside and those that fall outside of its Central Bank authorisation.

- 7.6 Where a Bureau de Change business is authorised by, the Central Bank, the regulatory disclosure statement must take the following form:
 “[Full legal name of Bureau de Change business (and trading name(s), if applicable)] is regulated by the Central Bank of Ireland”.
- 7.7 The regulatory disclosure statement must not include any additional information.
- 7.8 The regulatory disclosure statement must not be presented in such a way as to appear to be an endorsement by the Central Bank of the Bureau de Change business or its products or services.

8.0 MONEY LAUNDERING / TERRORIST FINANCING

- 8.1 The key elements that any anti money laundering or terrorist financing procedure should focus on include customer due diligence, records keeping, prevention policies, reporting of suspicious transactions, and staff training in the areas of AML and CTF. All Bureaux de Change Businesses are obliged to take the necessary measures to effectively counteract money laundering and terrorist financing in accordance with the Criminal Justice (Money Laundering and Terrorist Financing) Act 2010.
- 8.2 Bureaux de Change Businesses must take appropriate measures to ensure that their employees are aware of the relevant provisions of the Criminal Justice (Money Laundering and Terrorist Financing) Act 2010. These measures should include ensuring that employees receive appropriate training to enable them recognise operations which may be related to money laundering and terrorist financing as well as instructing them on how to proceed in such cases.
- 8.3 Bureaux de Change Businesses must establish adequate procedures of internal control and communication in order to forestall and prevent money laundering and terrorist financing.

Accordingly, Bureaux de Change Businesses must:

- (i) appoint a Money Laundering Reporting Officer with responsibility for the firm's obligations in relation to the prevention of Money Laundering and Terrorist Financing and provide the Money Laundering Reporting Officer ('MLRO') with the necessary access to systems and records to fulfil his/her responsibilities. The MLRO, and any changes thereto, must be approved in advance by the Central Bank;
- (ii) establish adequate client verification procedures;
- (iii) establish adequate transaction monitoring systems and procedures;
- (iv) establish adequate records maintenance systems to securely store and retrieve customer identification data and transaction data;
- (v) establish adequate internal escalation procedures and external reporting procedures to ensure suspicious transaction reports are made to An Garda Síochána's Money Laundering Investigation Unit and to the Revenue Commissioners;
- (vi) establish staff training programmes to assist staff to identify transactions or other activities that may be related to money laundering or terrorist financing, and on how to proceed once such transactions or activities are identified;
- (vii) establish adequate procedures for the screening of potential employees when recruiting; and
- (viii) provide for the testing of the transactional monitoring arrangements and procedures in place to be included in the firm's annual audit.

9.0 AGENTS

9.1 Prior notification to the Central Bank is required in relation to the proposed appointment of an agent/agents (such agents must be located in the State). Such notification must be made at least 14 days in advance of a proposed appointment.

A signed written agreement must be in place in relation to each agent appointment setting out therein, inter alia, the duties and responsibilities of each party.

- 9.2 The Bureau de Change Business must satisfy the Central Bank that it has adequate arrangements in place to supervise agents (including ensuring that agents comply with all legislative requirements, the requirements, the firm's procedures) and adequately manage associated risks.
- 9.3 The Bureau de Change Business that appoints an agent remains fully and unconditionally responsible for any act or omission on the part of the agent when/where acting on behalf of the Bureau de Change Business.
- 9.4 The Bureau de Change Business shall ensure that the agent in dealings with any client or potential client discloses at the outset the capacity in which the agent is acting and the entity that the agent is representing.
- 9.5 A Bureau de Change Business that appoints an agent shall ensure that the agent is of good repute and possesses the appropriate general, commercial and professional knowledge so as to enable the agent to communicate accurately all relevant information about any proposed services to the client or potential client of the Bureau de Change Business for whom the agent acts.
- 9.6 A Bureau de Change Business shall monitor the activities of its agents to ensure its compliance with the legislation relating to Bureaux de Change Businesses, these Requirements, and all other, current, published requirements. At least once a year, the firm will review each of its agents operations.
- 9.7 Bureaux de Change Businesses must notify the Central Bank, 14 days in advance, in respect of the proposed termination of an agent appointment and the reason for such closure.

9.8 Once in each year, or at such other times as the Central Bank may direct, a Bureau de Change Business must provide the Central Bank with the names and addresses of all its agents.

10.0 BRANCHES

10.1 The prior approval of the Central Bank is required in relation to the proposed establishment of a branch/branches (such branches must be located in the State).

10.2 A Bureau de Change Business intending to establish a branch shall provide the Central Bank with the following information:

- (a) the Bureau de Change Business's intention to establish a branch/branches;
- (b) the Bureau de Change Business's proposed programme of operations stating in particular:
 - i. the services that the Bureau de Change Business intends to provide;
 - ii. the organisational structure of the branch; and
 - iii. whether the branch intends to use agents, if that is the intent, the identity of the agents; and
- (c) the names of those responsible for the management of the branch.

10.3 Notification must be given to the Central Bank, 14 days in advance, in respect of the proposed closure of a branch/branches and the reason for such closure.

11.0 MISCELLANEOUS

11.1 Applicants/Bureaux de Change Businesses must have an open, cooperative and professional relationship with the Central Bank.

- 11.2 Any significant issue, which could have an impact on an application for authorisation, must be brought to the Central Bank's attention.
- 11.3 Bureaux de Change Businesses must discuss any proposed significant changes in business activities in advance with the Central Bank.
- 11.4 The Central Bank reserves the right to carry out inspections of Bureaux de Change Businesses.
- 11.5 The authorisation requirements and standards set out herein may be amended in the future to address new risks or issues that have been highlighted in the authorisation process for Bureaux de Change Businesses.

APPENDIX 1

A Bureau de Change Business

A Bureau de Change Business as defined in Part V of the Central Bank Act, 1997 (as amended) means a business that comprises or includes providing members of the public with a service that involves buying or selling foreign currency, other than a service that is provided:

- (a) by a person or body that is required to be licensed, registered or otherwise authorised by the Bank under a designated enactment (other than under this Part) or designated statutory instrument, or
- (b) by a person or body on an ancillary basis in the ordinary course of providing services to customers of the person or body.

The exclusion at (b) refers to a firm's operations, which are conducted only as ancillary to the main activity of a business. Ancillary has been defined by the Central Bank as applying to bureaux de change businesses where:

- No individual foreign currency transaction is greater than €3,175; and
- The aggregate of foreign currency transactions is not greater than 5 per cent of total turnover of the entire business.

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