



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

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Guidelines on completing and submitting Banking Licence Applications



Contents

Introduction	2
Exploratory Phase	3
Submission of an application and assessment by the European Central Bank and the Central Bank of Ireland	5
Decision by the European Central Bank on whether to grant a licence	7

This document provides guidance in relation to the requirements for establishing a credit institution in Ireland in accordance with Section 7 of the Central Bank Act, 1971. It does not apply to applicants wishing 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.

Introduction

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').

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'*.

Article 14 of the SSM Regulation (no 1024/2013 of 15 October 2013) provides that all applications for authorisation 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. The ECB will review applications to ensure that they are in accordance with European Union law.

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

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;
3. Decision by the ECB on whether to grant a banking licence.

1. Exploratory Phase

The applicant should be familiar with all requirements, both statutory and non-statutory applicable to credit institutions in Ireland. Applicants should understand the scope and application of consultation papers and all new requirements issued by the Central Bank, details of which are published on www.centralbank.ie.

Each potential applicant must assess whether its proposed business model:

- i. requires a banking licence (including meeting the definition of 'banking business' in the Act);
- ii. complies with the requirements of the Central Bank and ECB;
- iii. complies with Irish and EU legislation; and
- iv. will comply with the requirements that must be adhered to by credit institutions on an ongoing basis.

Having satisfactorily completed this assessment the applicant should contact the Central Bank in order to arrange a preliminary meeting.

On the basis that the applicant complies with i. to iv. above, following the preliminary meeting, the applicant then submits a proposal for authorisation to the Central Bank. Two hard copies and one soft copy of

each proposal must be submitted. The proposal is required to be in the same format and provide the same level of detail as a bank licence application. Where a proposal is incomplete (e.g. directors details omitted) the proposal will be returned.

As part of the proposal, the information requirements outlined in the instructions paper entitled '**Checklist for completing and submitting applications for Bank Licence Applications**' ('Checklist') must be provided to the Central Bank in support of the proposal. All of the listed information must be provided. The Checklist does not purport to comprehensively refer to all pertinent information regarding a proposal/application for authorisation and the applicant should expand on the required information, where necessary, according to the specific nature of the proposed business (e.g. applicants seeking designation under the asset covered securities legislation will be required to provide additional information as provided for in the legislation).

An authorised individual must sign the proposal, which may be amended to address comments issued by the Central Bank. The Checklist should be completed and submitted together with all, relevant, supporting documentation. For ease of reference each section of the proposal should be numbered and follow the format of the checklist. The applicant is required to submit draft copies of all significant policies with the proposal to the Central Bank (see Checklist for more details). Whilst the Central Bank 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.

Any requests from the applicant for a derogation from the requirements of the Central Bank, or to avail of a national discretion, must be identified in the cover letter accompanying the proposal and clearly referenced in the proposal and ultimately the application. Such requests should refer to the specific requirement in respect of which the

derogation is being sought, and include a detailed rationale and the proposed limits/restrictions (if applicable).

The Central Bank will undertake a detailed review of the proposal. As part of this review, the Central Bank will issue comments advising the applicant of any further information or clarification(s) required in relation to any aspect of the proposal.

At the end of the review of the proposal 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 that:

- a. Decisions on authorisation are made by the ECB which will not be involved in the exploratory phase and will need to perform a detailed assessment of the application;
- b. Further detailed assessment work will be performed by the Central Bank on the application.

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

2. Submission of an application and assessment by the ECB and the Central Bank

The applicant submits its application to the Central Bank. Processing of the application will be undertaken by the Central Bank 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.

Pursuant to Section 9 of the Act an application for a licence shall be in such form and contain such information as the Central Bank may from time to time determine.

The principal areas considered in evaluating banking licence applications include:

- a. Overview of the Parent/Group to which the applicant belongs;
- b. Consolidated Supervision of Parent/Group entities;
- c. Ownership Structure;
- d. Applicant's Objectives and Proposed Operations;
- e. Legal Structure;
- f. Organisation of the Applicant (including corporate governance arrangements, fitness and probity of key personnel, etc.);
- g. Risk Oversight which includes:
 - Audit;
 - Compliance;
 - Risk Management;
 - Treasury;
 - Financial Control;
 - Credit;
 - Internal Controls/Policies;
 - Anti-Money Laundering Procedures;
 - Conflict of Interest;
 - Liquidity;
 - Outsourcing; and
 - Reporting Structures.
- h. Capital, Funding and Solvency Projections;
- i. Financial Information and Projections; and
- j. Business Continuity.

The Central Bank's requirements, in relation to each of these headings, are detailed in the Checklist.

The Central Bank and the ECB will 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 clarification(s) required in relation to any aspect of the application.

The total time for licensing will depend upon:

- 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.

References will, as a matter of routine, be taken up from relevant supervisory authorities. Enquiries may also be made to overseas supervisory authorities in whose jurisdictions the applicant's parent and/or group has a significant presence.

In reviewing applications, 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.

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

3. Decision by the ECB on whether to grant a 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.

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