



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

Guidelines for applicants seeking authorisation under Section 9A of the Central Bank Act 1971

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Introduction

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

The document should be read in conjunction with the Central Banks Policy on Third Country Branches – 'Policy Statement on the Authorisation of Branches of Non-EEA Credit Institutions under Section 9A of the Central Bank Act 1971' [here](#).

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

Competent Authority

The Central Bank of Ireland (the 'Central Bank') is the competent authority in Ireland for the granting of authorisations in accordance with Section 9A(2) of the Central Bank Act, 1971 (as amended) (the 'Act').

Section 9A(2) of the Act provides that "*the Bank may grant an authorisation to a relevant credit institution to operate a branch in the State for the purpose of carrying on banking business in the State*".

A relevant credit institution is defined in the Act as "*a credit institution whose head office is located in a state or territory other than an EEA state and which holds an authorisation to carry on banking business in that state or territory from the authority that exercises in that state or territory functions corresponding to those of the Bank*".

A Third Country Branch will, unlike a branch of a credit institution from an EEA state, operate under the provisions of the Act as opposed to the provisions of EU banking directives; unless, on a case by case basis, certain requirements contained in EU law are imposed on the Third Country Branch by the Central Bank.

It should be noted that, in order to authorise a Third Country Branch, the Central Bank must have a Memorandum of Understanding ('MOU') in place with the Home Country Prudential Supervisor. Such an MOU should be in place, ideally, prior to the commencement of the Exploratory Phase (see below), and must be in place no later than the completion of the Central Bank's review of the application.

Legislative Preconditions for authorisation

The following requirements under Section 9A (3) of the Act must be satisfied before the Central Bank will accept a proposal to seek authorisation:

- (a) the relevant credit institution is subject, in the state or territory where its head office is located, to regulatory or administrative provisions relating to authorisation to carry on banking business in that state or territory and supervision corresponding to those in the State, and
- (b) protection of deposits with the branch, corresponding to the protection provided by the European Communities (Deposit Guarantee Schemes) Regulations 1995 (S.I. No. 168 of 1995), is available to depositors.

Advance determination by the Applicant

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

- i. it can comply with the Central Banks Policy on Third Country Branches referred to above;
- ii. the legislative preconditions set out at Section 9A (3) of the Act can be met;
- iii. the proposed business model requires a Banking Licence, including meeting the definition of 'banking business' in the Act;
- iv. 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;
- v. the Third Country Branch, if authorised, will comply on an ongoing basis with the requirements of the Central Bank and with all applicable legislation.

In undertaking this determination, applicants should be familiar with all requirements and legislation applicable to Third Country Branches in Ireland.

On the basis that the applicant has satisfied itself that it meets i. to v. 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 outline the manner in which the legislative preconditions, referred to above, must be met:

In relation to Section 9A(3)(a):

The Applicant will be required to submit a detailed report to the Central Bank setting out its assessment of the equivalence threshold. The areas to be addressed by the report will be advised to the Applicant. The report, when completed, will be evaluated by the Central Bank as part of the Exploratory Phase. In the event that a determination is made that the authorisation and supervisory regime of the Home Country Supervisor is not equivalent to that applied by the Central Bank, then the Central Bank will not proceed with an assessment.

In relation to Section 9A (3)(b):

The Applicant will be required to submit a detailed report to the Central Bank setting out its assessment of the equivalence threshold by conducting a gap analysis between the Irish regime and that in place in its home territory. This report, when completed, will be evaluated as part of the Exploratory Phase. In the event that a determination is made that there is no equivalence in terms of deposit protection, then the Central Bank will not proceed with an assessment.

In addition, at the 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.
3. Submission of a formal application, completion of the assessment, and decision by the Central Bank on whether to grant an authorisation.

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 with a detailed insight into the nature and scope of the proposal;
- Provide the applicant with further insight into the Central Bank requirements and approach to the assessment;
- Identify any issues that would preclude the applicant proceeding to Phase 2 – the submission of a Draft Application; and
- Determine the applicant's compliance with Section 9A(3)(a) and 9A(3)(b) of the Act.

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:

- Organisational Structure and Governance;
- Staffing;
- Overview of the Applicant;
- Oversight of the Third Country Branch by the Applicant;
- Strategy, Business Model and Risk Appetite;
- Portfolio Overview;
- Risk Management;
- Outsourcing;
- Technology Platforms;
- Booking Models;
- 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, the Home Country Supervisor must have granted approval to the applicant to submit an application to establish a Third Country Branch in Ireland. In addition, the Applicant is expected, as part of the Exploratory Phase, to provide an undertaking that, in the event that its capital or liquidity position falls below that of the requirements set by the Home Country Supervisor, it will notify the Central Bank as soon as the breach is identified, confirm that the Home Country Supervisor is aware of the breach and provide details of the steps to be taken to rectify the breach.

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 Authorisation Applications under section 9A 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 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 that:

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

- a. Decisions on authorisation are made by senior management of the Central Bank, independent of the assessment team; and
- b. Further detailed assessment of the application will be performed by the Central Bank.

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 Central Bank.

Submission of an Application

The application submitted must incorporate all amendments required by the Central Bank 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 Central Bank will make a decision on whether to grant an authorisation. An authorisation will only be granted where an applicant complies with all of the authorisation requirements.

Length of the Assessment Period

The total time for authorisation 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 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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