



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

Authorisation Guidance Note for MiFID Investment Firms - Key Facts Document

Under European Union (Markets in Financial Instruments)
Regulations 2017 (S.I. 375 of 2017) (“MiFID II Regulations”)

May 2024

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1. Introduction

The Key Facts Document (“KFD”) provides the Central Bank of Ireland (“Central Bank”) with high-level information in respect of the applicant MiFID Investment Firm’s proposed business and operational model and associated risks, including details in respect of the applicant firm’s background, ownership, number and type of clients, capital projections, governance and staff resourcing arrangements and outsourcing arrangements.

The purpose of this Guidance Note is to set out the Central Bank’s expectations regarding the content of the KFD to be submitted by the applicant firm when it is requested to do so after the Preliminary Meeting has taken place¹.

The purpose of the KFD is two-fold: (i) to facilitate the Central Bank in obtaining a clear, high-level understanding of the applicant’s proposed business model, risks and governance arrangements and (ii) to enable the Central Bank to identify, where possible, potentially material issues in respect of the applicant firms’ proposal at an early juncture so that timely feedback may be given to the applicant firm. Please note that while the KFD stage does not constitute the formal assessment (which commences once a formal application is submitted), we expect that the applicant firm takes under consideration all items discussed / feedback provided during the preliminary meeting with the Central Bank, making any changes necessary to meet the Central Bank’s expectations prior to submitting the KFD. During the KFD assessment process, applicant firms should expect to have engagement with the Central Bank to address any questions or provide any clarifications sought on the proposal. The Central Bank expects applicant firms to engage constructively and in a timely manner with the Investment Firm Authorisation Team during this period.

At the conclusion of the KFD stage, the Central Bank may invite the applicant firm to submit a formal application and may also provide feedback on further elements of the proposal that the Central Bank will require the firm to consider and reflect in the formal application; or the Central Bank may provide the applicant firm with feedback on material item(s) which it deems necessary for the firm to consider and address before the Central Bank could be in a position to invite the firm to submit a formal application. Where further work is required by applicant firms to progress to the formal application stage, the Central Bank will provide clear and specific feedback to the applicant firm in line with its commitment to providing an open and transparent authorisation process.

The length of time the KFD assessment process takes will vary depending on the complexity of the business proposal and the quality of the firm’s KFD submission, with high quality KFD submissions generally progressing faster as less clarifications are necessary from the Central Bank’s perspective. It is important that the KFD provides sufficient detail in order to enable the Central Bank to identify any potential issues or concerns that may hinder an application from progressing through to authorisation.

Applicant firms should be mindful that the information included in the KFD should be more granular in nature than the level of information required to be included in the preliminary meeting pre-application

¹ For information on the Preliminary Meeting, please see ‘Authorisation Guidance Note for MiFID Investment Firms - Preliminary Meeting Pre-Application Presentation’ which can be found on the Central Bank’s website.

presentation and should be in word/PDF format. However, the contents of KFD should, in general, be limited to the points specified in section 2 below and the information provided must clearly and precisely address each point. In the event that an applicant firm has not provided all of the required information, the Central Bank may require the applicant firm to withdraw and resubmit an updated KFD with the appropriate level of detail included. Depending on the nature, scale and complexity of the applicant firm, the Central Bank may seek additional information to be included in the KFD on a case-by-case basis.

Applicant firms should use this document as a base template in preparing their KFD. However, if there is any other material or important information that the Central Bank should be aware of in the context of its consideration of the applicant firm's proposals at this juncture, and which is not captured below, the applicant firm should include such information in the KFD.

The Central Bank expects applicant firms to have a full awareness and understanding of the relevant governing legislation, regulatory definitions, regulatory guidelines, and regulatory technical standards applying to Investment Firms prior to attending a pre-application meeting and submitting the KFD. If appropriate, applicant firms are strongly advised to seek professional advice from subject matter experts to assist in this stage of the authorisation process.

2. Indicative Structure and Content for a KFD

<i>a) Scope and Rationale for Authorisation Application</i>	
(i) Introduction	<p>Introduce the applicant firm and provide details in respect of the purpose, scope and rationale for the authorisation application (including extension to authorisation) as a MiFID II Investment Firm.</p> <p>Where relevant, indicate if the applicant firm proposes to extend its MiFID II authorisation to include the provision of investment business services or cover investment instruments under the Investment Intermediaries Act 1995 (“IIA 1995”) that are not listed in Schedule 1 of the MiFID II Regulations.</p>
<i>b) Background of the Applicant Firm</i>	
(i) Background to the Applicant Firm	<p>Provide a brief description of the applicant firm. Details should at a minimum include the following:</p> <ul style="list-style-type: none"> • Type of legal entity (e.g. private legal entity etc.); • Incorporation status; • Location of head office; • Details of the group (where applicable), including relevant jurisdictions, in which the applicant will operate. Please advise whether any group entities are/have been regulated by other competent authorities; • Details of the any current regulatory authorisations in Ireland and other jurisdictions, including if the applicant firm is applying for and/or plans to apply for the licenses being sought in Ireland in other jurisdictions along with the rationale for such applications; • The reason(s) why the applicant firm has selected Ireland as a location from which to carry out investment services and apply for MiFID II Authorisation.
<i>c) Business Model</i>	
Provide a brief description of the applicant firm’s proposed business and operational model. Details should at a minimum include the following:	
(i) An Overview of the Business Model/Strategy of the Applicant Firm	<p>Provide a summary overview of the business model and the strategy of the applicant firm, for example:</p> <ul style="list-style-type: none"> • Description of the business model/strategy (e.g. business expansion, new business, regulatory changes etc.); • High-level summary of the business model/strategy, e.g. the purpose and objectives of the applicant firm’s business, proposed revenue model and basis for projections, identification of the business lines, services, products, clients, target markets, anticipated expenses, governance arrangements, resources, current track record, relevant group entities etc.
(ii) Details of the MiFID Services and Instruments/Products to be Provided	<p>Provide details in relation to the MiFID services and instruments /products, for example:</p> <ul style="list-style-type: none"> • Overview of the investment and ancillary services that the applicant firm is going to provide, i.e. specify relevant business lines, function heads,

	<p>whether group/third parties are involved etc. (See <i>Appendix II-a for the indicative template</i>);</p> <ul style="list-style-type: none"> • Breakdown of the financial instruments linked with the relevant business lines (See <i>Appendix I for the template to be completed</i>); • Specific characteristics, features and/or structures of the products offered by the applicant firm (e.g. vanilla or exotic investment products).
(iii) Anticipated Assets under Management/ Advice for the First 3 Years	<ul style="list-style-type: none"> • Statement as to whether the applicant firm will or will not offer portfolio management and/or investment advice services; • If relevant, the projected levels of assets under management in EUR to be held at Day 1 of authorisation and for the first 3 years of operation, i.e. Year 0, Year 1, Year 2, Year 3 (“First 3 Years”) and underlying assumptions applied.
(iv) Mapping Services and Financial Instruments under MiFID II Regulations	<p>Map core services, ancillary services and financial instruments to be offered with reference to Schedule 1 of the MiFID II Regulations and provide a clear analysis/assessment as to how the business proposal falls to be regulated (i.e. the rationale for the applicant firm’s proposed selection of the services and financial instruments based on the legislative requirements vis-à-vis the applicant firm’s business model) (See <i>Appendix I for the template to be completed</i>):</p> <ul style="list-style-type: none"> • Investment services as per Part 1 of Schedule 1 of MiFID II Regulations indicating which services the applicant firm is going to provide; • Ancillary services as per Part 2 of Schedule 1 of MiFID II Regulations indicating which services the applicant firm is going to provide; • Financial investments as per Part 3 of Schedule 1 of MiFID II Regulations indicating in relation to which instruments the applicant is going to provide its services.
(v) Mapping Services and Instruments under the Investment Intermediaries Act 1995	<p>Map any services and instruments required by the firm under the Investment Intermediaries Act 1995 (“IIA 1995”), for example (<i>please leverage the template in Appendix I as appropriate</i>):</p> <ul style="list-style-type: none"> • Investment services as per Section 2 of the IIA 1995 indicating which services the applicant firm is going to provide; • Investment instruments as per Section 2 of the IIA 1995 indicating in relation to which instruments the applicant firm is going to provide its services.
(vi) Unregulated Activities (if applicable)	<p>Statement as to whether the applicant firm is/will be engaged in any other unregulated activities.</p> <p>If yes, provide summary details of the other existing/proposed unregulated activities, including, for example:</p> <ul style="list-style-type: none"> • Nature of the activities; • Proportion of revenue/profitability.
(vii) Freedom of Services/ Freedom of Establishment	<ul style="list-style-type: none"> • Applicant firm to provide details of Freedom of Services proposal, if applicable; • Applicant firm to provide details of Freedom of Establishment proposal, if applicable.

<p>(viii) Compliance Framework</p>	<p>Provide an overview of the applicant firm’s proposed compliance framework for example:</p> <ul style="list-style-type: none"> • Scope, remit and resources of compliance function (including Anti-Money Laundering/CTF); • Compliance monitoring and testing programme (periodic monitoring and testing of systems, controls and procedures (including any software systems, if relevant)); • Policies, procedures and controls in place; • Training; • Conflicts of interest (i.e. high-level overview of how the firm identifies, monitors and mitigates conflicts of interest in general).
<p>(ix) Risk Framework</p>	<p>Provide an overview of the applicant firm’s risk management framework, for example:</p> <ul style="list-style-type: none"> • Scope, remit and resources of risk management function; • High-level overview of the risk management framework in place; • Applicant firm’s key risks identification, assessment, monitoring and mitigation; • Confirmation that the applicant firm will have capacity and resources to develop and implement a firm-specific Risk Appetite Statement, risk register and Risk and Control Self-Assessment.
<p>(x) Internal Audit Framework</p>	<p>Provide an overview of the applicant firm’s internal audit framework, for example:</p> <ul style="list-style-type: none"> • Scope, remit and resources of internal audit function; • Periodic reporting, monitoring and oversight of internal control function; • Overview of the internal audit plan.
<p>(xi) Outsourcing Arrangements</p>	<p>Provide an overview of the applicant firm’s outsourcing arrangements, for example:</p> <ul style="list-style-type: none"> • A high-level narrative in respect of the proposed third party and/or intra group outsourcing arrangements², where applicable; • Overview of the nature, scale and rationale for all outsourcing activities should be provided, including details in respect of the proposed Outsourced Service Providers (“OSPs”), confirmation that contractual arrangements with each OSP (e.g. Service Level Agreements) are/will be in place and a summary of the governance, management and oversight arrangements in respect of outsourced activities etc.; • The applicant firm should include a table indicating for each outsourced function, the nature of the outsourcing (critical/non-critical), the name and location of the relevant OSP, the number of FTE the relevant OSP has available/dedicated to the applicant firm, the responsible executive in the applicant firm in terms of oversight of the outsourced functions and if sub-outsourcing applies (See Appendix II for the template to be completed);

² Please note outsourcing activities to another group entity constitutes outsourcing as per the [EBA Guidelines on Outsourcing Arrangements](#).

	<ul style="list-style-type: none"> • The applicant firm should provide details on how it is satisfied/will be satisfied that it is fully compliant with the relevant outsourcing requirements, including, but not limited to, the EBA Guidelines on Outsourcing Arrangements and the Central Bank’s Cross-Industry Guidance on Outsourcing; • If the applicant firm relies on the group’s systems and processes, it should clearly articulate how these systems and processes work holistically, and confirm that the systems and processes are compliant with the EU/Irish regulatory requirements.
(xii) Market Abuse (if applicable)	<ul style="list-style-type: none"> • High-level overview of the policies, procedures and resources the applicant firm will have in place in order to meet its monitoring and reporting obligations under the Market Abuse Regulation (MAR)³ and related legislation.
(xiii) MiFIR Transaction Reporting (if applicable) ⁴	<ul style="list-style-type: none"> • If applicable, the estimated number of daily transactions to be reported to the Central Bank.
(xiv) Information Technology	<ul style="list-style-type: none"> • Provide a summary overview of the nature, scale and complexity of the Information Technology and Cybersecurity requirements to conduct its business; including details on whether these will be in-house or outsourced; • Provide an overview of the governance and resourcing arrangements propose for Information Technology and Cybersecurity, including details of the senior manager/board executive in the applicant firm responsible for oversight of the relevant Information Technology.
<i>d) Client Assets</i>	
(i) Client Assets	<ul style="list-style-type: none"> • Statement as to whether the applicant firm proposes holding client assets; • If relevant, the projected level of client assets in EUR to be held for the First 3 Years of operation and underlying assumptions applied ; • The arrangements the applicant firm proposes to establish to manage client assets in accordance with Client Assets Regulations.
<i>e) Clients</i>	
(i) Clients	<ul style="list-style-type: none"> • Who the clients are (i.e. institutional, collective investment schemes, individuals); • Type of clients (retail, professional, eligible counterparty); • A table showing the number and type of clients in each of the First 3 Years of operation;

³ Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC.

⁴ Please note that the Central Bank has issued a number of communications to industry in relation to MiFIR Transaction Reporting which are available on the Central Bank’s [MiFIR Transaction Reporting website](#).

	<ul style="list-style-type: none"> • The rationale and basis for the applicant firm’s estimates and variations year on year; • Applicability of the Investor Compensation Scheme to the applicant firm’s activities; • Applicability of the Minimum Competency Code 2017 to the applicant firm’s activities.
<p>f) Governance & Staff Resourcing Arrangements</p>	
<p>(i) Governance & Staff Resourcing</p>	<p>Provide the following information about the applicant firm’s governance and staff resourcing arrangements:</p> <ul style="list-style-type: none"> • Qualifying shareholders (<i>See Appendix III for the indicative template to be followed</i>); • Full ownership structure chart; • Proposed composition of board of directors and proposed board sub-committees e.g. purpose, membership, frequency of meeting, chair etc. • Proposed executive/other (non-board) committee structures, their composition and purpose • Organisational chart depicting all staff members, including their locations, functional units (e.g. Compliance, Internal Audit, IT, Finance etc.), clear reporting lines within the applicant firm, including to the Board of Directors, any overlapping functions, all committees and sub-committees, PCF and CF roles, senior management roles, any outsourced/seconded employees/functions (<i>See Appendix IV for the indicative template to be followed</i>); • Details of proposed PCF role holders in the firm, including non-executive directors, including whether these individuals have previously been approved by the Central Bank (<i>See Appendix V for the template to be completed</i>); • Time allocation for the proposed PCF roles (<i>See Appendix V for the template to be completed</i>); • Number of proposed employees and FTE equivalent, noting where employees are shared across other group entities (<i>See Appendix VI for the template to be completed regarding the applicant’s proposed staffing complement</i>). • Independence of internal control functions (risk management function, compliance function, internal audit function).
<p>g) High Level Financial & Prudential Capital Projections</p>	
<p>(i) Financial & Regulatory Capital</p>	<ul style="list-style-type: none"> • Determine which class of Investment Firm the applicant firm belongs under IFD/IFR (i.e. Class 1, Class 2, Class 3 firm) and provide a high-level overview of its analysis of its status; • Provide a brief overview of the core elements of the applicant firm’s proposed revenue model. • Provide high-level financial projections for the first 3 years of operation post authorisation (i.e. Year 0 and Years 1-3). The applicant should demonstrate how the firm will be in a position to meet its applicable regulatory capital requirements over the period. Financial information required:

	<ul style="list-style-type: none"> ○ Projected Regulatory Capital, Own Funds Requirements and Operational Funding Levels for the First 3 Years; ○ Projected Profit and Loss Accounts for the First 3 Years; ○ Projected Balance Sheet for the First 3 Years; ○ Information (quantitative and/or qualitative) on drivers of profitability and revenue; ○ Sources of Regulatory and Share Capital/Funding. <ul style="list-style-type: none"> ● Confirmation that the applicant firm has produced and/or is capable of producing an ICAAP/ILAAP or ICARA, as applicable.
<p><i>h) Requests for a Permission, Derogation or Use of a Waiver</i></p>	
(i) Waivers	<p>If applicable, provide notification of an intention to apply for a permission, derogation or use of a waiver under the relevant legislation.</p>
<p><i>i) Application Submission Timeline</i></p>	
(i) Application Submission Timeline	<p>Provide an indication of when the applicant firm considers that it will be in a position to submit its application for authorisation.</p>

Appendix I – Mapping of MiFID Permissions Sought

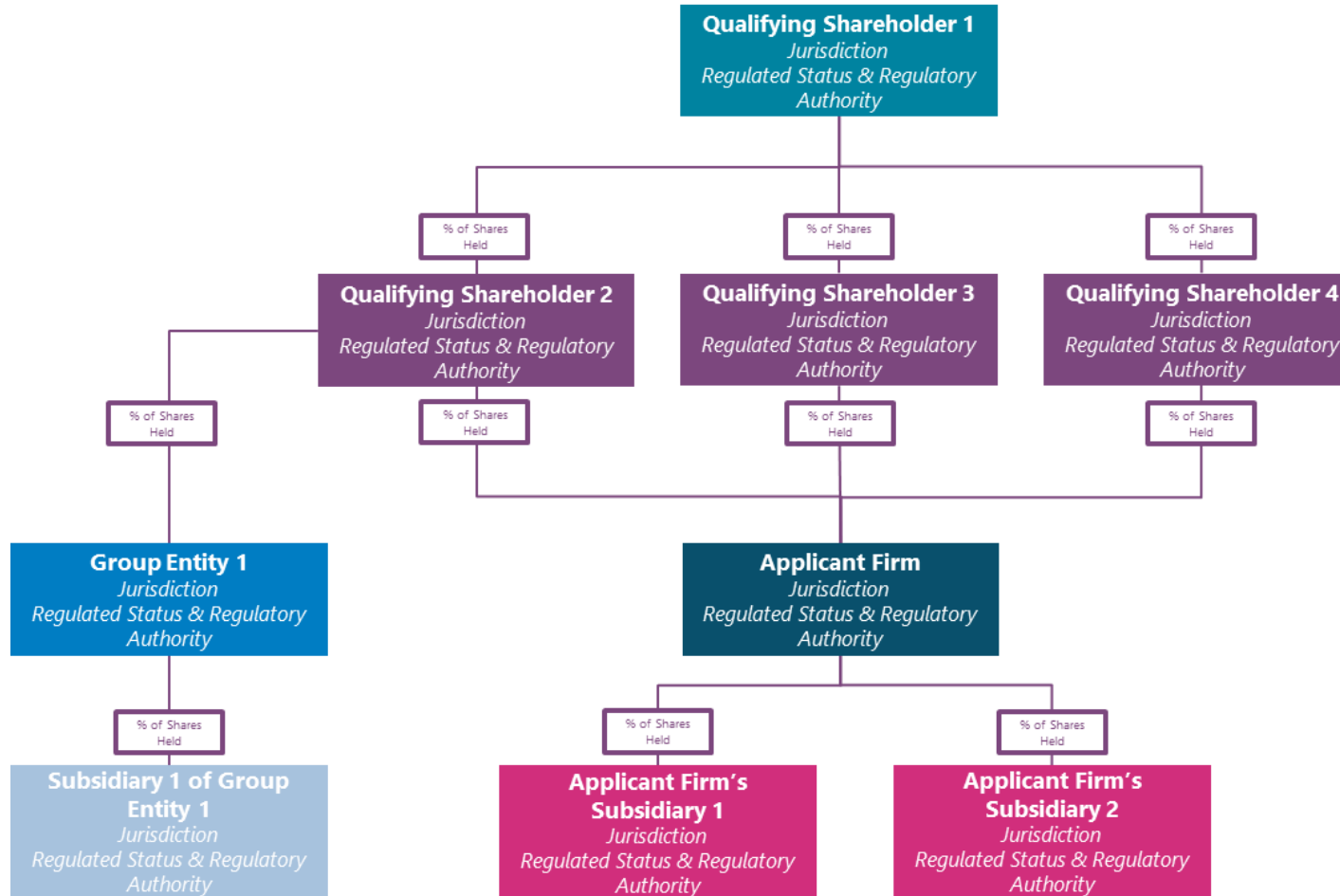
Please use the following table as a template when completing the KFD to provide details of the MiFID II investment services and activities and financial instruments in relation to which the applicant firm is seeking authorisation.

Business Line	Description of Business Line and Regulated Activities	MiFID II Investment and Ancillary Services	Financial Instruments	Client Category
<p><i>Business Line #1</i></p>	<p><i>Please provide the following high-level information:</i></p> <ul style="list-style-type: none"> • <i>Description of the business line and the regulated activities</i> • <i>Rationale for each permission sought</i> • <i>Who is responsible for control and oversight</i> • <i>High-level scope of responsibilities and controls</i> • <i>Indicate if group/third-party entities are involved</i> 	<p><i>Please indicate the relevant investment and ancillary services which the applicant firm is going to provide as per Part 1 and 2 of Schedule 1 of MiFID II Regulations (e.g. ((3) - Dealing on own account, (6) - Services related to underwriting)</i></p>	<p><i>Please indicate the product(s) relating to an investment service along with the appropriate references to Part 3 of Schedule 1 of MiFID II Regulations (e.g. bonds (1), certificate of deposit (2) etc.)</i></p>	<p><i>Please indicate relevant client category(ies):</i></p> <ul style="list-style-type: none"> • <i>Retail Clients</i> • <i>Professional Clients</i> • <i>Eligible Counterparties</i>
<p><i>Please use separate lines for each Business Line</i></p>				

Appendix III- Ownership Structure

Please use the following indicative chart as an example when completing the KFD to provide information in relation to its qualifying shareholders.

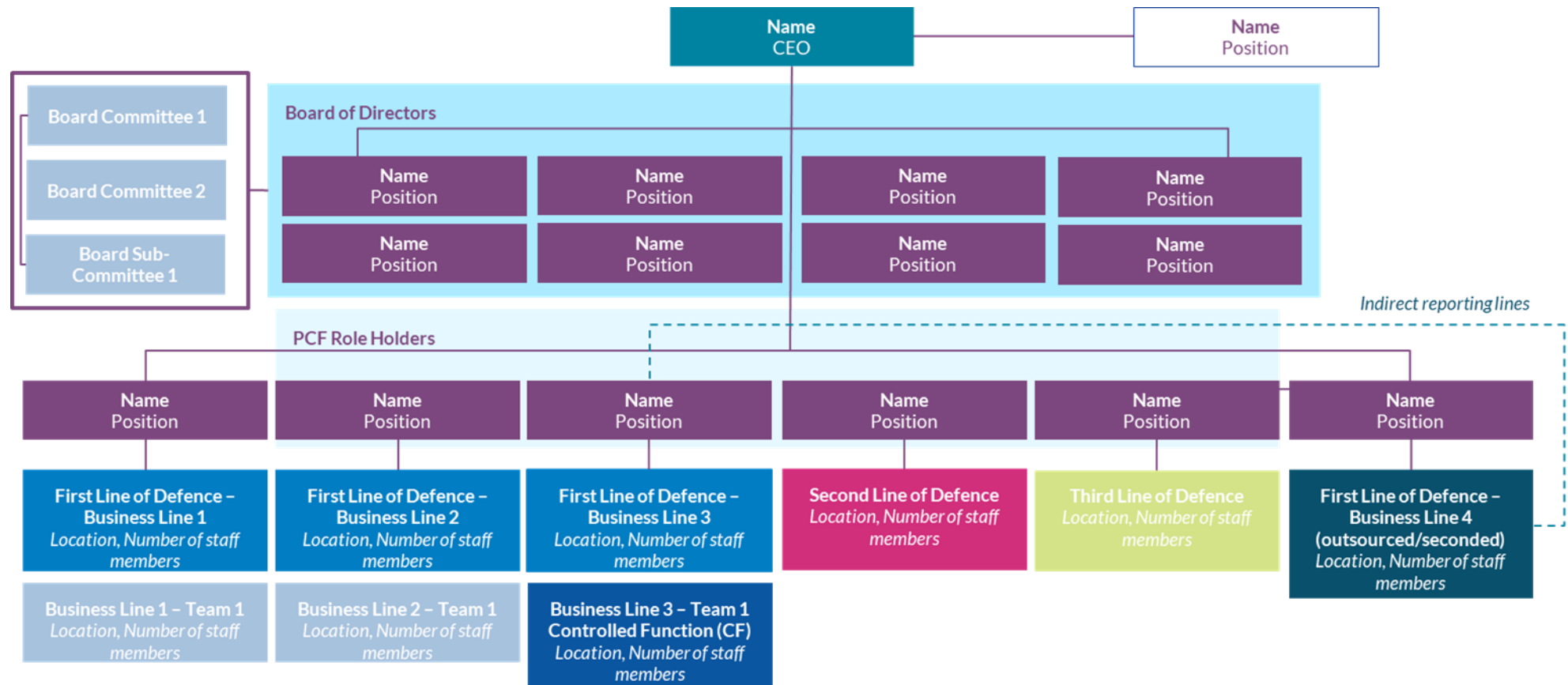
If the applicant firm proposes to establish a branch, the chart must incorporate the branch.



Appendix IV – Organisational Structure

Please use the following indicative chart as an example when completing the KFD to provide information in relation to its organisational structure.

If the applicant firm proposes to establish a branch in Ireland or any other jurisdiction, the organisational charts must incorporate the branch and the branch staff.



Appendix V – Table for Proposed PCFs

Please use the following indicative table as an example when completing the KFD to provide information regarding their PCFs and board members.

Position/PCF Function	Key Roles and Responsibilities	Name of Individual	Proposed Time commitment	Residency	Previously approved by the Central Bank (Y/N)	Group Responsibilities (if any)
<i>e.g. Independent Non-Executive Director & Chair of the Board (PCF-2, PCF-3)</i>	<i>e.g. Attend and Chair Monthly Board Meetings -Act as an Impartial voice at Board meetings etc.</i>	<i>e.g. John Smith</i>	<i>e.g. 20 days per Annum</i>	<i>Ireland</i>		
<i>e.g. Chief Executive Officer & Executive Director (PCF-8, PCF-1) etc.</i>	<i>e.g. formulate strategy etc.</i>	<i>e.g. Jane Kelly</i>	<i>e.g. full time FTE</i>	<i>UK</i>		
<i>Please use separate line for each position/PCF function</i>						

Appendix VI – Table for Proposed Staffing Arrangements

Please use the following indicative table as an example when completing the KFD to provide information regarding their staffing arrangements.

	At authorisation (Year 0)	Year 1	Year 2	Year 3	Shared ⁵ with other group entities (Y/N)	Employed by other group entities (Y/N/N/A)
Total proposed staff of the legal entity						<i>If yes, enter the entity's name and location</i>
<u>of which full-time employees</u>						<i>If yes, enter the entity's name and location</i>
of which based in Ireland						<i>If yes, enter the entity's name and location</i>
of which based in other jurisdictions						<i>If yes, enter the entity's name and location</i>
<u>of which part-time employees</u>						<i>If yes, enter the entity's name and location</i>
of which based in Ireland						<i>If yes, enter the entity's name and location</i>
of which based in other jurisdictions						<i>If yes, enter the entity's name and location</i>

⁵ Staff members are employed by the applicant firm but are shared with other group companies.



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