

## Central Bank focuses on Payment and Electronic Money Firms

The Central Bank of Ireland (the “CBI”) has issued a Dear CEO letter dated 9th December 2021 (the “Letter”) to all Irish authorised Payment Services and E-Money firms (“Relevant Firms”). This aims to set out the CBI’s ongoing expectations for Relevant Firms. The CBI has also issued updated guidance dated 9th December 2021 to firms considering an application for one of these authorisations. These actions follow a CBI reorganisation, with Relevant Firms now falling under the responsibility of the Credit Institutions Supervision Directorate, although the risk based PRISM framework still applies.

### Industry Scale

Ireland has become an increasingly important hub for the international payment services industry in recent years. The existence of significant financial services and tech industries which had already been attracted to the jurisdiction due to its educated workforce and attractive tax regime meant that the skillset required for staffing was already in place locally, while the ability to passport services across Europe under the applicable pan EU regulatory regime has meant that Ireland represents a natural base in the EU for internationally focussed related businesses.

As a result there are already 22 entities currently on the register of Payment Institutions authorised by the CBI pursuant to the EU (Payment Services) Regulations 2018 as well as a further 237 credit unions on the Register of Credit Unions maintained under this legislation. In relation to Electronic Money, there are currently 17 entities on the Register of Electronic Money Institutions authorised under the EC (Electronic Money) Regulations 2011 (as amended).

These same factors have also meant that Ireland is becoming a destination of choice for crypto related businesses. However, although the CBI has received a significant number of applications for authorisation to act as Virtual Asset Service Providers (VASPs), no such licences have been issued to date as the CBI is ensuring a rigorous authorisation regime to protect the financial system from related concerns including possible breaches of anti-money laundering provisions.

### Key Areas of Focus

The Letter clarifies that the CBI expects Relevant Firms to be well-governed with appropriate risk management and control arrangements in place and to operate within a sustainable business model with sufficient resources, including during potential periods of market stress. Accordingly, it notes that the key priority areas for the CBI regarding Relevant Firms are governance and risk management, conduct and culture, safeguarding of customer funds, the business model and financial resilience, operational resilience, and preventing financial crime. The Letter also sets out a series of key expectations in regard to these priority issues for board consideration.

### Next Steps

The CBI is requiring boards of Relevant Firms to ensure a comprehensive assessment of each firm’s compliance with key legislative and regulatory requirements pertaining to safeguarding of assets and the conditions of their authorisation is conducted and to consider any remediation actions required as a result. Boards are required to confirm completion of this assessment to the CBI by 31st March 2022 as well as to ensure timely resolution of any issues identified.

*Representatives of Relevant Firms or those considering an authorisation application are welcome to contact the Financial Services team at Clerkin Lynch with related questions.*



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