



31st July, 2013

Central Bank Consults on the Authorisation Process for Investment Funds and Investment Firms

The Central Bank of Ireland (“**Central Bank**”) has published a Consultation Paper (“**CP67**”) on the authorisation process for regulated firms, funds and intermediaries. The objective of the consultation is to improve the authorisation process and ensure high service standards.

While CP67 covers several areas its primary focus is the authorisation process for funds, funds service providers and investment firms. The full text of CP67 is available on the Central Bank website. [Click here for link](#)

Introduction

The supervision of regulated financial institutional and funds in Ireland is an important operational activity of the Central Bank. The Central Bank continuously seek to ensure a rigorous assessment of applicant’s regulatory standards through an efficient application process while recognizing the competitive pressure to getting firm authorized and product to market. CP67 is a result of work done by the Central Bank reviewing their existing authorisation processes in an effort to deliver a more efficient and effective authorization process. The proposed processes should reduce administrative work, improve the consistency of decision making and the quality of regulatory information provided by applicants to the Central Bank. It is expected over time to eliminate paper from the application process.

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The Central Bank have adopted a risk-based approach to the making of regulatory decisions with higher levels of staff seniority being required to process applicants as the nature, scale and complexity of the applicant's business increases.

A similar approach was taken during 2012 with the creation of the Regulatory Transactions Division within the Central Bank which has responsibility for online reporting processes including Fitness & Probity applications. This has proved successful with significant increased efficiencies. Ultimately, the objective of CP 67 is to improve and to deliver a clearly measurable and transparent service with speedier turnaround times and greater certainty.

The Central Bank has also updated the industry on previously proposed application fees.

Key areas to where the prepared new process will apply

- ▣ Fitness & Probity
- ▣ Return Receipts
- ▣ Investment fund and investment fund authorisation
- ▣ Post-authorisation activities of funds and investment firms
- ▣ Passporting of authorisations both inward and outward
- ▣ Voluntary revocations of authorisations
- ▣ Acquiring Transactions involving authorised entities

Key Areas for Process Improvement

- ▣ Electronic Submission
- ▣ Secure portal – storage of documentation and dialogue
- ▣ Audit trail of submissions and communications
- ▣ Online Functionality to track application progress
- ▣ User friendly application forms
- ▣ Promote the re-use of information from previous applications
- ▣ Maximise self-certification

New authorisation process as it will apply to Investment Firms

The existing process for investment firm authorisation has created a couple of issues as currently a risk-based approach is not applied to applications and the existing application forms are too detailed for certain applicants. In addition, applications have been subject to significant material revision by applicants during the application process.

The new process for investment firms will adopt a two-tier risk-based approach with revised application forms and detailed guidance material to be published for each type of applicant-small and large firms.

There will be increased reliance on confirmations from applicants regarding the legislative compliance of their application and during the application process applicants must submit wind-down plans. The Central Bank will only review complete applications. The Central Bank will determine what is deemed to be a complete application following discussion with the industry. Incomplete, dormant or materially amended applications will be returned to the applicant.

Small firms

It is anticipated that all small and non-complex firm applications will be reviewed within two weeks of submission to determine their completeness. These applications will be reviewed at a high-level with focus on areas such as shareholders, directors, staffing, financial projections, including regulatory capital and client assets. It is hoped that only two submission drafts will be required before the Central Bank reaches a decision on applications for small, non-complex firm.

Large firms

Applications from larger firms with complex strategies will be managed with more involvement from senior supervisors. The Central Bank will require a preliminary meeting to discuss a key facts document which will be submitted by the applicant prior to the meeting. Applications will be reviewed within two weeks to determine their completeness or otherwise. Once deemed complete a detailed review and analysis of the applicant's business model, financial projections and CAAP will be undertaken. It is envisaged that no more than three submissions of draft documentation will be reviewed before the Central Bank reach a decision.

Summary of new authorization process as it will apply to Investment funds and fund service provider applications

The fund's area continues to generate significant volumes of applications for the Central Bank. During 2012, the Central Bank authorised 743 funds with an average turnaround time of three and a half weeks. While this is very efficient compared to other jurisdictions, in its efforts to improve further its service to promoters the Central Bank will move from the existing manual process, where all documentation is received in hardcopy, to electronic filing. Eligibility assessments and compliance with the legal and regulatory requirements will remain. The proposed new process will result in full electronic communication with applicant firm's advisers resulting in a paperless communication. There will be maximization of self-certification by funds for minor matters which will free up resources and improve turnaround times.

Following their introduction the Central Bank will publish half-yearly service standard performance reports across all sectors. The Central Bank may also publish an initial quarterly performance report per sector on an exceptional basis.

Application Fee

The Central Bank has also announced its intention to implement a previous proposal to introduce application fees. The introduction of the application fees will help the Central Bank achieve the operational efficiencies and organizational effectiveness sought and such fees will be payable at the time of application for authorisation. They will not be refundable in the event that an application for authorisation is withdrawn or refused. These fees will not apply to any regulated entity already approved.

The Central Bank have deferred introduction of these application fees until 2014 at the earliest. They believe that these fees will help them ensure a high-level of service delivery of the proposed application fee.

Conclusion

The Central Bank has invited consultation until **Monday 28th October, 2013**. Dillon Eustace will be providing comments to the Central Bank and should you wish to provide any comments on the CP67 to the Central Bank we would be happy to incorporate them into our comments. Please forward any thoughts to your usual contact here at Dillon Eustace.

The Central Bank expects these new service standards and application processes to be implemented during Q1 2014 following the consultation period.

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