



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

Guidance Note on Completing an Application for Authorisation as a Credit Servicing Firm

Under Part V of the Central Bank Act, 1997 (as amended)

January 2019

Part 1 - Introduction

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Please note that this Guidance Note should be read by an applicant before it commences completing the Application Form for Authorisation as a Credit Servicing Firm.

The Consumer Protection (Regulation of Credit Servicing Firms) Act 2015 (“the 2015 Act”) was enacted on 8 July 2015 and amended Part V of the Central Bank Act 1997 (“the Act”) to introduce a regulatory regime for a new type of entity called a ‘Credit Servicing Firm’ and the activity of credit servicing, as defined in the Act (as amended by the 2015 Act), became a regulated activity in Ireland. The Central Bank of Ireland (“the Central Bank”) became the competent authority in Ireland responsible for the authorisation and supervision of Credit Servicing Firms following the enactment of the 2015 Act.

The Consumer Protection (Regulation of Credit Servicing Firms) Act 2018 (“the 2018 Act”) was enacted on 24 December 2018 and commenced on 21 January 2019 and amends Part V of the Act to expand the activity of credit servicing, as defined in the Act (as amended by the 2018 Act), to include holding the legal title to credit granted under a credit agreement and associated ownership activities.

The Central Bank published its Authorisation Requirements and Standards for Credit Servicing Firms in December 2015 which applicants seeking authorisation as a Credit Servicing Firm had to satisfy in order to be granted an authorisation and which had to be complied with thereafter on an on-going basis. The Central Bank has amended these Authorisation Requirements and Standards to reflect the changes required thereto following the enactment of the 2018 Act.

This document provides guidance to applicants in relation to the requirements of the Central Bank when completing an “Application Form for Authorisation as a Credit Servicing Firm under Part V of the Central Bank Act 1997 (as amended)” (“the Application Form”). It does not constitute legal advice nor does it seek to interpret relevant legislation.

To obtain an authorisation as a Credit Servicing Firm, an applicant must complete and submit to the Central Bank a completed Application Form (available [here](#)). **The Application Form must be completed by all applicants seeking authorisation as a Credit Servicing Firm (i.e. those persons seeking to avail of the transitional arrangements provided for under Section 34FA(1) of the Act following the enactment of the 2018 Act and those applicants who cannot avail of these transitional arrangements).** All applicants are required to submit a fully completed Application Form for the purposes of the Central Bank assessing and reaching a determination in respect of an application for authorisation as a Credit Servicing Firm.

IMPORTANT NOTICE

Persons seeking to avail of the transitional arrangements provided for under Section 34FA(1) of the Act for persons who were carrying on the business of a Credit Servicing Firm (in so far as that

business relates to the newly regulated activities now falling within the scope of the Act) immediately prior to the commencement of the 2018 Act, will only be taken to be authorised to carry on the business of a Credit Servicing Firm until the Central Bank has granted or refused authorisation to the person, if a fully completed Application Form is submitted to the Central Bank no later than 3 months after the commencement of the 2018 Act (i.e. by 21 April 2019) and if the regulated credit servicing activities falling within the scope of the Act prior to the commencement of the 2018 Act are conducted by an authorised Credit Servicing Firm on behalf of the applicant until the applicant is granted an authorisation.

Applicants who cannot avail of the transitional arrangements referred to above cannot carry on the business of a Credit Servicing Firm until the Central Bank has granted authorisation to that person. It is an offence for such persons to commence the provision of credit servicing until authorisation as a Credit Servicing Firm has been obtained.

The Central Bank welcomes applications where the proposed Credit Servicing Firm can meet the legislative requirements relating to an authorisation as a Credit Servicing Firm and all other applicable legislative and regulatory requirements. The Central Bank will only grant an authorisation to an applicant if it is satisfied that the applicant has demonstrated that it meets the Authorisation Requirements and Standards for Credit Servicing Firms.

Applicants are advised to seek legal advice if they are unsure as to whether their proposed activities require authorisation pursuant to the Act or with regard to how they should comply with the authorisation requirements set out in the Authorisation Requirements and Standards for Credit Servicing Firms. If having received and considered such legal advice, applicants have any doubt about their status, they are advised to submit an application for authorisation.

The Central Bank offers the facility of an **optional pre-application meeting** to applicants to answer specific questions about any aspect of the application process and completing the Application Form.

Further information in respect of the application process and the relevant application related documentation with respect to Credit Servicing Firms is available [here](#).

Part 2 – Criteria for Assessing Applicants

This Guidance Note should be read in conjunction with:

- the Central Bank Act, 1997;
- the Authorisation Requirements and Standards for Credit Servicing Firms; and
- the “Application Form for Authorisation as a Credit Servicing Firm under Part V of the Central Bank Act 1997 (as amended)”.

The information and documentation that must accompany an application for authorisation as a Credit Servicing Firm is set out in the Application Form.

The principal areas assessed by the Central Bank in considering an application for authorisation as a Credit Servicing Firm include:

- Structural Organisation
- Programme of Operations
 - Proposed Credit Servicing Activities
 - Description of Proposed Credit Servicing Activities
 - Business Strategy
 - Other Credit Servicing Related Activities
 - Non-Credit Servicing Related Activities
 - Pre-Approval Controlled Functions and Controlled Functions
 - Governance & Staffing Arrangements
 - Board of Directors and Committees
 - Outsourcing
 - Oversight of Outsourcing
 - Business Structure & Supervision
 - I.T. Systems and Security, Integrity and Confidentiality of Information
 - Compliance with Statutory Codes
 - Compliance
 - Risk Management
 - Internal Audit

- Administration and Accounting
- Business Continuity and Disaster Recovery
- Business Plan
 - Financial Information
 - Professional Indemnity Insurance
- Shareholders/Members and Qualifying Shareholders
- Regulatory Background

Part 3 – Making an Application

In advance of submitting an application for authorisation, an applicant should satisfy itself that:

- its proposed business model requires authorisation pursuant to the Act;
- it can avail of the transitional arrangements provided for under Section 34FA(1) of the Act (where relevant);
- it can comply with the Authorisation Requirements and Standards for Credit Servicing Firms;
- it is capable of complying with, and adhering to, the authorisation requirements and on-going supervisory requirements that must be satisfied on an on-going basis; and
- it has read this Guidance Note and has taken the information provided therein into consideration when completing the Application Form.

Applicants are advised to seek legal advice if they are unsure as to whether their proposed activities require authorisation pursuant to the Act or with regard to how they should comply with the Authorisation Requirements and Standards for Credit Servicing Firms. If, having received and considered such legal advice, applicants have any doubt about their status, they are advised to submit an application for authorisation.

The Documentation Required to make an Application for Authorisation for Authorisation

A completed application form and all required supporting documentation should be submitted to the Central Bank via creditservicingfirms@centralbank.ie.

An applicant should submit the following documentation which should be **fully completed**:

- An Application Form for Authorisation as a Credit Servicing Firm;¹
- A Programme of Operations; and
- A Business Plan.

The list outlined above does not refer comprehensively to all pertinent information regarding an application for authorisation as a Credit Servicing Firm. The applicant should expand on the required information, where necessary, according to the specific nature of the proposed business.

The Central Bank will undertake a preliminary review of applications submitted to ensure key information has been provided. Where key information has not been provided the applicant will be informed that the application may not be progressed. Instances where this may occur include where:

- documents such as the Application Form, Programme of Operations or Business Plan have not been provided;
- documents requested in the Application Form have not been provided, such as;
 - qualifying shareholder documentation; or
 - financial projections;
- responses to questions in the Application Form are substantially deficient, such as;
 - details of organisational structure, governance arrangements, key staff and directors;
 - descriptions of the applicant's activities;
 - notes explaining the content of financial projections;
- responses to questions in the Application Form are substantially deficient, such as;
 - details of organisational structure, governance arrangements, key staff and directors;
 - descriptions of the applicant's activities;
 - notes explaining the content of financial projections;
 - details of policies and procedures relating to operational and assurance functions;
 - details relating to outsourcing agreement; and/or
 - details relating to how outsourcing is overseen.

¹ The Application Form and Guidance Note on completing an application for authorisation can both be found on the Central Bank's website at: <https://www.centralbank.ie/regulation/industry-market-sectors/credit-servicing-firms/authorisation-process>

An applicant **should not** submit an application for authorisation to the Central Bank where it has not determined with reasonable certainty the scope of the activities in which it proposes to engage and its proposed business and operational model. There should be no significant changes made to the applicant’s application for authorisation during the course of the application process. Where such significant changes are made, a new application submission will be required.

Part 4 – Guidance on Completing an Application for Authorisation as a Credit Servicing Firm

This section provides assistance for applicants when answering the questions set out in the Application Form. Please note that the numbering sequence below also includes reference to that of the Application Form.

Applicants should ensure that **ALL** questions set out in the Application Form are answered succinctly and fully. Where there is a consistent lack of detail or where excessive detail is provided, submissions will be returned without review. Answers to questions set out in the Application Form should be presented in a logical manner.

The Central Bank grants an authorisation as a Credit Servicing Firm on the basis of the information provided in the applicant’s application for authorisation. **All applicants granted an authorisation as a Credit Servicing Firm will be required to operate in accordance with the information provided in their application for authorisation except where this information is altered with the approval of the Central Bank.**

All reasonable steps must be taken by an applicant to ensure that the information provided to the Central Bank in its application for authorisation is accurate and complete. **Applicants should note that it is an offence to provide false or misleading information in an application for authorisation as a Credit Servicing Firm.**

Section 1: Structural Organisation

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| Application Form Reference | |
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| 1 | <p>This name must be the applicant’s legal name at the time of the submission of the application. For incorporated applicants, this should be the name on the applicant’s Constitutional Document(s) and the name registered with the Irish Companies Registration Office. For partnership applicants, this name should be the names of the partners or a name defined in their Partnership Agreement (where relevant). For sole trader applicants, this name should be the individual’s name.</p> |
| 5 | <p>This name must be the registered trading name that the applicant will use for the branding of its activities, promotions, advertising etc.</p> |
| 6 | <p>This registered address must be the registered address of the applicant lodged with the Irish Companies Registration Office. What constitutes a “head office”/ “principal place of business” is a matter to be determined, given the particular circumstances of each case. In general, the Central Bank interprets “head office”/“principal place of business” to mean the location of the mind and management of the applicant and the place where the day-to-day decisions about the direction of the applicant’s business are taken. While the onus of meeting the statutory requirements and satisfying the Central Bank that adequate and effective control of an entity rests in Ireland lies with the applicant, some guidance on what the Central Bank would expect to see is set out below. This is not intended to be a ‘formula’ for meeting the “head office”/“principal place of business” requirement. However, it does provide an indication of what the Central Bank will expect to see in this regard. The Central Bank will expect decision making at Board and Committee level to take place within the State. In addition, to ensure the central management is located within the “head office”/“principal place of business”, its functions must include:</p> <ul style="list-style-type: none"> • Financial Control; • Legal and Compliance; and • Risk Management. <p>It follows that there should be a significant senior management presence (within the applicant) in the State to ensure that full authority and effective control of the applicant rests within the “head office” / “principal place of business”.</p> |
| 7 | <p>This individual must be someone who is familiar with the applicant’s business and operational model and its application submission and must be someone who works for / will work for the applicant if and when authorised, and not a professional advisor to the applicant. The individual must be a senior member of the applicant (i.e., principal/director/partner/senior management).</p> |

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| 9 | <p>A certified document is one that is stamped, signed and dated as being a true copy of the original by a party independent of the firm. An independent party should be a Solicitor, Accountant, Peace Commissioner, Notary or Commissioner for Oaths.</p> <ul style="list-style-type: none"> • The certification stamp must be clearly identifiable on the relevant document; and • The date of certification should be as close to the date of submission of the application form as possible. If the documents are amended at any stage during the application process, an up-to-date certification of the documents must be submitted to the Central Bank along with certified copies of any Special Resolutions amending the documents. |
| 12 | See notes provided in point 9 above. |
| 15 | See notes provided in point 9 above. |
| 17-18 | <p>A full and complete Group Organisation Chart should be provided, including the name of each entity within the Group, an explanation of what activity each entity in the Group carries out, the regulatory status of each Group entity (if regulated, the name of the relevant regulatory body must be provided) and the percentage of shareholding each entity holds in each other entity within the Group.</p> |

Section 2: Programme of Operations

| Application Form Reference | |
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| 1 | A standalone Programme of Operations document should form part of the applicant's application submission. |
| 2-3 | The applicant should ensure that the Programme of Operations document addresses, at a minimum, the information requested in Appendix 3 to the Application Form, whilst also ensuring that all areas in Section 2 of the Application Form are adequately addressed. |
| 4 | The applicant should indicate the specific credit servicing activities it conducts and/or proposes to conduct within 18 months post authorisation. If the applicant has longer term plans to conduct additional credit servicing activities, it is required to notify the Central Bank in advance of conducting such activities. |
| 5 | The applicant is required to provide a clear description of each of the credit servicing activities it conducts/proposes to conduct (by reference to the specific activities indicated |

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| | <p>in response to question 4 in this section of the Application Form) and how these activities will be conducted and overseen on a day-to-day basis. This should include details of who is responsible for conducting and overseeing each activity, the systems and infrastructure that will be used to conduct and oversee each activity and any activities that will be outsourced. Where activities will be outsourced the applicant is required to provide details of the relevant outsource service provider(s) and a clear description of the level of discretion granted to each outsource service provider(s) in conducting each of the relevant activities on behalf of the applicant. This information is required in order to provide the Central Bank with a full understanding of the activities that the applicant is conducting or proposes to conduct and its proposed business and operational model.</p> <p>Persons seeking to avail of the transitional arrangements provided for under Section 34FA(1) of the Act should provide the information requested in this section of the Application Form based on their current business model and credit servicing activities. Where any changes to this business model or these activities are proposed following the commencement of the 2018 Act, please ensure that any such proposed changes are clearly set out in completing the application submission. Where some activities are being carried out on behalf of the person by another regulated entity, please ensure that details of the relevant arrangements (including details of the level of discretion granted to such entity in conducting these activities on behalf of the person and the level and type of oversight being undertaken by the person in respect of the conduct of these activities by such entity) are clearly set out in completing the application submission.</p> |
| 7-10 | <p>Questions 7 to 10 are only to be completed by those persons who are seeking to avail of the transitional arrangements provided for under Section 34FA(1) of the Act.</p> <p>For further details on these questions, please refer to the Central Bank's Code of Conduct on Mortgage Arrears 2013 and the Mortgage Arrears Resolution Process.</p> |
| 10 | <p>A certified document is one that is stamped, signed and dated as being a true copy of the original by a party independent of the firm. An independent party should be a Solicitor, Accountant, Peace Commissioner, Notary or Commissioner for Oaths.</p> <ul style="list-style-type: none"> • The certification stamp must be clearly identifiable on the relevant document; and • The date of certification should be as close to the date of submission of the application form as possible. If the documents are amended at any stage during the |

application process an up to date certification of the documents must be submitted to the Central Bank along with certified copies of any Special Resolutions amending the documents.

10 (a): Persons seeking to avail of the transitional arrangements provided for under Section 34FA(1) of the Act are required to demonstrate to the Central Bank that they were carrying on the business of a Credit Servicing Firm (in so far as that business relates to the newly regulated activities now falling within the scope of the Act following the commencement of the 2018 Act) immediately prior to the commencement of the 2018 Act. Documentary evidence that would suffice in this regard includes:

- A copy of an agreement entered into with a person who previously held the legal title to credit granted under a credit agreement(s) to purchase the credit agreement(s) which pre-dates the commencement of the 2018 Act.
- A letter from the applicant's legal advisors confirming that the applicant was carrying on the business of a Credit Servicing Firm (in so far as that business relates to the newly regulated activities now falling within the scope of the Act following the commencement of the 2018 Act) immediately prior to the commencement of the 2018 Act.
- Other evidence available to the applicant.

10 (b): The applicant is required to undertake an assessment of its regulatory requirements under financial services legislation. This assessment should be documented and should involve an evaluation as to whether the applicant is currently in a position to meet each of the regulatory requirements applicable to its business under financial services legislation. Once this assessment has been conducted, where there are gaps regarding the applicant's ability to comply with the applicable requirements of financial services legislation, this should be rectified in order to enable the applicant to provide confirmation that it is in a position to comply with each of the applicable requirements of financial services legislation.

The confirmation required from the applicant's Board of Directors should evidence that the required assessment was conducted to its satisfaction and that it is satisfied that the

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| | <p>applicant is in a position to meet the applicable requirements of financial services legislation.</p> <p>The confirmation required from the applicant's Board of Directors should confirm that the applicant will retain the services of a regulated Credit Servicing Firm to conduct the credit servicing activities that fell within the scope of the Act immediately prior to the commencement of the 2018 Act on its behalf until such time as it has been granted an authorisation by the Central Bank as a Credit Servicing Firm and the name of the relevant regulated Credit Servicing Firm.</p> |
| 11-14 | <p>The applicant is required to provide a clear description of the manner in which it determines and oversees its overall strategy for holding, managing and administering a portfolio of credit agreements. This should include details of the governance arrangements and internal systems and controls in place to ensure that control over the strategy and key decisions in respect of the portfolio of credit agreements is fully vested in the applicant. This should also include details of how the applicant determines and oversees its conduct risk appetite and its consumer protection strategy. When considering and determining its overall strategy and associated risk management framework, the applicant should consider and give due regard to the Central Bank's Guide to Consumer Protection Risk Assessment published in March 2017.</p> <p>This information is required in order to provide the Central Bank with a full understanding of how the applicant proposes to determine, embed and continue to satisfy itself on an on-going basis that its overall strategy for holding, managing and administering a portfolio of credit agreements is fit for purpose and fully aligned with its legislative and regulatory obligations.</p> |
| 15-16 | <p>The applicant should describe any additional credit servicing related activities which it conducts/proposes to conduct in addition to the credit servicing activities indicated in response to question 4 in the Application Form.</p> |
| 17-19 | <p>The applicant should describe any additional non-credit servicing related activities which it conducts/proposes to conduct in addition to the credit servicing activities indicated in response to question 4 in the Application Form.</p> |
| 20 | <p>The applicant is responsible for ensuring that staff performing Pre-Approval Controlled Functions/Controlled Functions meet the Fitness and Probity Standards both on</p> |

appointment to such functions and on an on-going basis. These Standards can be found at the attached address:

<https://www.centralbank.ie/regulation/how-we-regulate/authorisation/fitness-probity>

Specifically, an applicant must not permit a person to perform a Pre-Approval Controlled Function or Controlled Function unless it is satisfied on reasonable grounds that the person complies with the Fitness and Probity Standards and it has obtained confirmation that the person has agreed to abide by those Standards. The Central Bank shall not grant an authorisation to an applicant to operate as a Credit Servicing Firm unless the applicant satisfies the Central Bank as to the fitness and probity of each individual holding/proposed to hold a Pre-Approval Controlled Function.

The applicant is required to complete an online Individual Questionnaire (“IQ”) for each individual holding/proposed to hold a Pre-Approval Controlled Function. IQs must be endorsed by the proposing applicant and submitted for approval to the Central Bank via the returns service on the [Central Bank of Ireland Portal](#). The applicant will be required to identify a System Administrator within its business who will then be provided with log-on details to receive the required access to set up relevant staff on the system in order that they are able to complete the necessary IQs.

Whilst it is the applicant that is provided with access to the online portal in which IQs are to be completed, it is required that each proposed Pre-Approval Controlled Function role holder completes their own IQ under the access permissions granted by the applicant. Persons completing an IQ should be open and honest in answering the questions set out therein and should provide any information requested in a timely manner.

It should also be noted that the Central Bank’s Regulatory Transactions Division (“RTD”) is responsible for reviewing/processing IQs that are submitted. This review takes place in tandem with the review of the application for authorisation which is undertaken by the Consumer Protection: Policy & Authorisations Division.

Please see a list of all potential Pre-Approval Controlled Function role holders in a Credit Servicing Firm at the following [link](#).

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| 21 | <p>The Fitness and Probity Standards prescribe specific functions as Controlled Functions. These include individuals who exercise a significant influence on the conduct of the affairs of the financial service provider, monitor compliance or perform functions in a customer facing role. Please see the link below to the Central Bank’s website for further details in this regard.</p> <p><u>https://www.centralbank.ie/regulation/how-we-regulate/authorisation/fitness-probity/regulated-financial-service-providers-(introduction)</u></p> |
| 22 | <p>The applicant is required to ensure that any Controlled Function role holders (which includes Pre-Approval Controlled Functions) are aware of and are satisfied that they comply with their obligations under the Minimum Competency Requirements on an on-going basis. Please see the link below to the Minimum Competency Requirements section of the Central Bank’s website for further details in this regard.</p> <p><u>https://www.centralbank.ie/regulation/how-we-regulate/authorisation/minimum-competency</u></p> <p>Please also see the below link to the Minimum Competency Requirements 2017 for further assistance:</p> <p><u>https://www.centralbank.ie/docs/default-source/regulation/how-we-regulate/authorisation/minimum-competency/minimum-competency-code-2017.pdf?sfvrsn</u></p> |
| 24 | <p>The organisation chart must include details of all staff who are/to be employed by the applicant and their reporting lines and location, with a clear indication provided as to whether any individual(s) will be employed on a part time basis. Where no such indication is made, it will be assumed that the staff member(s) will be employed on a full time basis. The chart must clearly highlight:</p> <ul style="list-style-type: none">i) The function each staff member is responsible for and their reporting line within the applicant together with the relevant reporting line to the Board of Directors; andii) Whether an individual has more than one function within the applicant. |

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| 25 | The description of responsibilities for each of the officers listed in response to question 30(a) to (f) of the Application Form should disclose the main 5-6 responsibilities of each of the relevant officers. |
| 26 | <p>The applicant should highlight where it is proposed that an individual will be responsible for more than one function within the applicant (e.g. carries out both the Risk and Compliance functions).</p> <p>Job descriptions should clearly outline the day-to-day role and responsibilities of each of the applicant's employees. Where it is proposed that an individual will be responsible for more than one function, the applicant is required to demonstrate how:</p> <ul style="list-style-type: none"> (a) The individual will have sufficient time and resources to fulfil the roles; and (b) There are no segregation of duties issues between those roles. <p>Where an applicant has multiple employees in a team/function performing similar roles, a description as to the responsibilities of the function will suffice.</p> |
| 31 | <p>Applicants seeking authorisation as a Credit Servicing Firm and authorised Credit Servicing Firms are expected to have a balance of executive and non-executive directors on their Board of Directors.</p> <p>For all applicants, the Central Bank expects that at least one Independent Non-Executive Director be on the Board of Directors. The Central Bank reserves the right to require greater independent non-executive representation on the Board of Directors depending on the nature, scale and complexity of the applicant's proposed activities.</p> <p><i>Independent Directors (criteria):</i></p> <p>The following criteria must be considered and given reasonable weight in order to assess whether a director is independent:</p> <ul style="list-style-type: none"> a) Any financial or other obligation the individual may have to the applicant or its directors; b) Whether the individual is or has been employed by the applicant or a group company in the past and the post(s) so held; c) Whether the individual is or has been a provider of professional services to the applicant in the recent past; d) Whether the individual represents a significant shareholder in the applicant; e) Circumstances where the individual has acted as an independent non-executive director of the applicant for extended periods; |

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| | <p>f) Any additional remuneration received in addition to the director's fee, related directorships or shareholdings in the applicant; and</p> <p>g) Any close business or personal relationship(s) with any of the applicant's directors or senior employees.</p> |
| 35 | <p>The standing Board agenda should include at a minimum the following:</p> <ol style="list-style-type: none"> 1. Business Strategy and Development; 2. Finance; 3. Compliance; 4. Internal Audit; and 5. Risk Management (including Conduct and Consumer Protection Risk). |
| 36 | <p>This section is to be completed for each Committee established within the applicant (if applicable).</p> |

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| 37 | <p>The Central Bank considers outsourcing to be an arrangement of any form between an applicant and a service provider by which that service provider performs a process, a service or an activity on behalf of the applicant which could otherwise be considered would be undertaken by the applicant itself.</p> <p>Where an applicant engages in outsourcing, that outsourcing should not detract from the applicant being in a position to demonstrate that its 'heart and mind' is located in the applicant and that the applicant is not delegating responsibility for the operation or management of key functions to a third party.</p> <p>Where outsourcing of an important operational function is proposed, the Central Bank requires that this outsourcing does not:</p> <ol style="list-style-type: none"> 1. result in the delegation by senior management of its responsibility in respect of that function; 2. alter the relationship and obligations of the Credit Servicing Firm towards its customers; 3. undermine the conditions with which the Credit Servicing Firm is to comply in order to be authorised and remain so in accordance with the Act; 4. remove or modify any other condition of the Credit Servicing Firm's authorisation; |
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| | <p>5. materially impair the quality of the Credit Servicing Firm’s internal controls; or</p> <p>6. materially impair the ability of the Central Bank to monitor the Credit Servicing Firm’s compliance with its obligations under the Act.</p> <p>For the purposes of the above, an operational function is important if a defect or failure in its performance would materially impair—</p> <p>a) the continuing compliance of the Credit Servicing Firm concerned with the requirements of its authorisation or its other obligations under the Act;</p> <p>b) its financial performance; or</p> <p>c) the soundness or continuity of its credit servicing activities.</p> <p>Functions that are considered important operational functions include Credit Servicing Activities, Operations, I.T., Finance, Internal Audit, Risk Management and Compliance.</p> |
| 47 | <p>It is important that the applicant maintains adequate oversight and control over outsourced activity. In addition, it must be clear to the Central Bank that such oversight is adequate and that any outsourced activity does not result in any delegation of the applicant’s responsibility for the operation or management of its key functions.</p> |
| 48 | <p>Requirement 2.3 of the Authorisation Requirements and Standards for Credit Servicing Firms provides that a Credit Servicing Firm is required to demonstrate that the organisation of its business structure is such that it is capable of being supervised by the Central Bank and that adequate and effective control of the firm rests in the State. Factors to be considered in this regard include:</p> <p>(a) where the mind and management of the Credit Servicing Firm is located;</p> <p>(b) where key decisions regarding the direction of the credit servicing business are made;</p> <p>(c) where key functions are undertaken;</p> <p>(d) what reporting lines exist;</p> <p>(e) where key books and records are kept; and</p> <p>(f) how the Credit Servicing Firm will engage with borrowers including, in particular, the practical facilities that will be made available to borrowers in arrears to resolve their arrears.</p> |

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| | <p>Adequate arrangements in this regard are required in order to ensure the proper and orderly regulation and supervision of persons authorised to carry on the business of credit servicing.</p> |
| 49 | <p>When describing the functionality of the applicant's key I.T. systems, the applicant should also provide screen shots/sample reports in its application submission in order to assist the Central Bank's understanding in this regard.</p> <p>If the applicant has outsourced its I.T. software development/maintenance/hosting, it is required to provide any information requested in questions 39 – 45 of the Application Form in respect of the outsourced activity.</p> |
| 51 | <p>The applicant is required to demonstrate how it has satisfied itself that its procedures, processes and systems enable it to comply with its requirements under financial services legislation and in particular the Central Bank's statutory Codes of Conduct. It should demonstrate how it is satisfied that the protections provided by the statutory Codes of Conduct continue to apply.</p> |
| 52 | <p>The applicant should have appropriate independent resources in place to implement and manage a compliance programme to ensure it is compliant with all relevant legislative and regulatory obligations.</p> <p>The applicant must demonstrate that it is aware of the compliance universe that applies to its business. The applicant should demonstrate that it is aware of and understands all applicable legislative and regulatory requirements that it is subject to and with which it must comply.</p> <p>While the Central Bank does not require the applicant to submit its actual Compliance Manual or related policies and procedures documents as part of the application submission, this documentation must be made available to the Central Bank upon request if and when the applicant is authorised.</p> |
| 55 | <p>The Central Bank requires authorised Credit Servicing Firms to actively manage/monitor the risks to which they are exposed. This is typically done by way of a risk management process and periodic consideration of a risk register.</p> <p>While the Central Bank does not require the applicant to submit its actual Risk Management Manual or related policies and procedures documents as part of the application submission,</p> |

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| | <p>this documentation must be made available to the Central Bank upon request if and when the applicant is authorised.</p> |
| <p>56</p> | <p>The applicant is required to set out the following in respect of its Internal Audit function:</p> <ul style="list-style-type: none"> • Demonstrate how the Internal Audit function is independent from the operational activities of the applicant; and • Provide an overview of the Internal Audit team and its experience. <p>The overview of the applicant’s Internal Audit plan should demonstrate to the Central Bank that:</p> <ul style="list-style-type: none"> • it is being set on a risk based approach; • it should provide an overview of the plan’s scope, objective and activities to be undertaken; and • it should outline the resources that are required to implement the Internal Audit plan and the reporting lines up to and including the Board of Directors of the Internal Audit function. <p>If the applicant has outsourced its Internal Audit function, it is required to provide any information requested in questions 39 – 45 in the Application Form in respect of the outsourced activity.</p> |
| <p>58</p> | <p>The applicant is required to submit an IQ for the Head of Internal Audit within the applicant or the Head of Internal Audit within a Group entity (if the applicant has outsourced the Internal Audit Function to a Group entity) or the Head of Internal Audit within another entity (if the applicant has outsourced the Internal Audit Function to a Non-Group entity).</p> |
| <p>67</p> | <p>Where the applicant is part of a Group, it should ensure that the information provided in respect of business continuity and disaster recovery are specific to the applicant and not Group entities.</p> <p>The applicant’s proposed back up disaster recovery area should not be a private residence. The Central Bank should have unrestricted access to the disaster recovery area if required.</p> |

Section 3: Business Plan

| Application Form Reference | |
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| 1 | A standalone Business Plan document should form part of the applicant's application submission. |
| 2-3 | The applicant should ensure that the Business Plan document, at a minimum, provides the information requested in Appendix 3 to the Application Form, whilst also ensuring that all areas in Section 3 of the Application Form are adequately addressed. |
| 4 | The applicant is required to submit its latest management and audited accounts with its application submission. Management accounts submitted should provide an overview of the applicant's financial status up to 2 months of its application submission. |
| 9 | <p>The financial projections in respect of the applicant for the first/next three years must be sufficiently detailed to provide the Central Bank with an understanding of the applicant's viability on an on-going basis.</p> <p>The financial projections must be submitted in the following format:</p> <ul style="list-style-type: none"> a) The Profit and Loss Account must be in the following format: Income Less Expenses = Gross Profit Less Taxation = Net Profit Less Dividends (if any) = Retained Profit. b) Only Year 1 of the Profit and Loss Account must be broken down into monthly periods. Year 2 and Year 3 need not be broken down into monthly periods and therefore yearly totals should be provided for each. c) The Income section of the Profit and Loss Account must be broken down into regulated / non-regulated activities carried out. Each line item must account for the income projected for each activity as highlighted in question 17 of the Application Form. d) The applicant must provide workings / detailed calculations for each month / year in order for the Central Bank to reconcile the projected income to be derived from that line of activity against the applicant's assumptions for that activity, e.g. it could be based upon x number of loan owners/transactions/transaction value |

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| | <p>with the applicant earning e.g., a certain amount per transaction or certain percentage of transaction volume.</p> <p>e) The Expenses section of the Profit and Loss Account must break down each individual expense item to the extent that distinguishes between the different categories of expenses. For example, categories of expense will include salaries, rent, utilities, subscriptions etc. and therefore need not be broken down any further.</p> <p>f) The Retained Profit/Loss must also incorporate the latest financial position of the applicant, i.e. where an applicant is currently trading it must carry forward its latest (available) retained profit/loss.</p> <p>g) The Balance Sheet must be in the following format: Fixed Assets + Current Assets Less Current Liabilities = Net Assets = Shareholders Funds.</p> <p>h) It is critical that the applicant ensures that the Retained Profit / Loss figure in the Balance Sheet reconciles with the Profit and Loss Account while ensuring in cases where an applicant is currently trading, its retained profit / loss figures to date (based on audited accounts and/or latest management accounts) are accurately being carried forward into the projections.</p> <p>i) The applicant must provide a note describing all line items accounted for in the Profit and Loss Account and Balance Sheet. The description can be appropriately brief as long as it is sufficiently clear what the entry is providing for. Furthermore, where an amount in a line item is fluctuating by greater than 10% per year [or month in the case of Year 1 of the Profit and Loss Account (only)] an explanation must be provided in the note to explain the rationale behind the movement.</p> |
| 10 | <p>The applicant is required to demonstrate to the Central Bank how it will be in a position to manage the risk that it might not be in a position to operate within the bandwidth of its financial projections. For example: Is the applicant reliant on particular loan portfolio(s)? Is there a risk that the applicant’s business might not grow as quickly as projected and that profitability will be impacted? Would any event impact upon the applicant’s viability?</p> |
| 15 | <p>The applicant should ensure that the information provided in relation to income is consistent with that provided in its financial projections.</p> |
| 19 | <p>The Central Bank requires authorised Credit Servicing Firms to have professional indemnity insurance (PII) cover, where the amount insured shall at a minimum provide cover for €1.25 million per claim and €1.85 million in aggregate in a single policy period.</p> |

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| | <p>The PII policy must specifically state that it is ring fenced specifically for the applicants’ regulated credit servicing activities as per the Central Bank Act 1997, with regard to the activities of the Credit Servicing Firm. For Group PII policies, the applicant’s name must be included on the policy document and the PII cover must specifically state that the policy is ring fenced specifically for the firm’s credit servicing activities as per the Central Bank Act 1997, with regard to the activities of the Credit Servicing Firm.</p> <p>Where the PII policy includes an excess amount specifically for the applicant’s regulated credit servicing activities payable by the Credit Servicing Firm, this excess must be as low as possible and, in any instance, must not exceed €250k. For Group policies, where it is not possible to reduce the excess for one entity, the applicant will be required to obtain its own PII policy.</p> <p>The applicant should ensure that it fully understands the requirements set out in Requirement 3 of the Authorisation Requirements and Standards for Credit Servicing Firms.</p> |
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Section 4: Shareholders/Members and Qualifying Shareholders

| Application Form Reference | |
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| 1 | <p>The applicant is required to identify all persons (whether natural or legal) with a direct qualifying holding in the applicant. The applicant must also consider whether the legal owner of the direct qualifying holding is also the beneficial owner of that holding and where they are not the same person, consideration must also be given to whether the beneficial owner(s) of that direct qualifying holding is also a qualifying shareholder in the applicant.</p> <p>Where the beneficial owner referred to above falls within the definition of a qualifying shareholder, this must be highlighted and their details provided in the table contained in this section of the Application Form together with the requisite shareholder</p> |

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| | information requested in respect of that person as set out in Appendix 1 of the Application Form. |
| 2 | <p>The applicant is required to identify all persons (whether natural or legal) with an indirect qualifying holding in the applicant. The applicant must also consider whether the legal owner of the indirect qualifying holding is also the beneficial owner of that holding and where they are not the same person, consideration must also be given to whether the beneficial owner(s) of the indirect qualifying holding is also a qualifying shareholder in the applicant.</p> <p>Where the beneficial owner referred to above falls within the definition of a qualifying shareholder, this must be highlighted by providing their details in the table contained in this section of the Application Form together with the requisite shareholder information requested in respect of that person as set out in Appendix 1 of the Application Form.</p> |
| 4 | The applicant should ensure that all of the required qualifying shareholder information set out in Appendix 2 of the Application Form is provided in respect of both its direct and indirect qualifying shareholders. |

Section 5: Regulatory Background

| Application Form Reference | |
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| 1-17 | The applicant must state, to the best of its knowledge and belief, whether it has ever been subject to those actions listed. In any case where the answer is 'Yes', full details must be provided on a separate sheet and be referenced to the appropriate question. |
| 18-23 | The applicant must state, to the best of its knowledge and belief, whether it and (in so far as it is aware) its qualifying shareholders, subsidiaries, related undertakings, associated undertakings, directors or employees have ever been subject to those actions listed. In any case where the answer is 'Yes', full details must be provided on a separate sheet and be referenced to the appropriate question. |

Section 6: Document Checklist

The applicant should ensure that for each document listed it has answered 'Yes' or 'No'. Where it has answered 'Yes', it should provide a clear document reference in the column provided. This document reference should also be clearly written on the top right hand corner of the cover page of that document, and should be easily referenced in the application documentation.

Section 7: Declaration

Text in brackets such as [Insert Applicant's legal name] and [I/We] must be amended to insert the relevant text, including the relevant legal name, or select from the option provided.

The applicant should ensure that it has fully reviewed the Application Form and is aware of and understands the statements that it is agreeing to with regard to the information provided therein prior to signing the Declaration.

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| 7 | The applicant must complete the Declaration. Ensure that at least two directors, including the Chief Executive/Managing Director, sign the Declaration to the Application Form. Please note that only original signatures will suffice. |
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Appendix 2 – Qualifying Shareholder Information

| Application Form Reference | |
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| Individuals (a) | If the proposed Qualifying Shareholder is also a proposed Pre-Approval Controlled Function role holder, it is required to complete the online Individual Questionnaire via the returns service on the Central Bank of Ireland Portal. If the proposed Qualifying Shareholder is not a Pre-Approval Controlled Function role holder, it is required to complete a specific paper based Individual Questionnaire for non-Pre-Approval Controlled Function role holders. This Individual Questionnaire is available at the following link . |

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| Trusts (c), (d) & (e) | If the proposed Qualifying Shareholder is also a proposed Pre-Approval Controlled Function role holder, it is required to complete the online Individual Questionnaire via the returns service on the Central Bank of Ireland Portal. If the proposed Qualifying Shareholder is not a Pre-Approval Controlled Function role holder, it is required to complete a specific paper based Individual Questionnaire for non-Pre-Approval Controlled Function role holders. This Individual Questionnaire is available at the following link . |
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Part 5 - Application Processing

The Central Bank will review the Application Form and accompanying documentation submitted by an applicant to ensure that all key information and documentation has been provided. Where key information and documentation has not been provided the applicant will be informed of the information and documentation that has not been provided and that the application may not be progressed. Materially incomplete applications may also be returned at this time, and comments will not issue thereon. Where all key information and documentation has been provided, the Central Bank will assess the application submission and will issue comments advising the applicant of any further information or clarification(s) required in relation to any aspect of the application submission. The total timeframe for authorisation will depend on:

- the complexity of the application;
- the complexity of the Group structure (if applicable);
- the timeliness and quality of responses from the applicant to comments issued by the Central Bank;
- any changes made by the applicant to its application submission during the authorisation process; and
- the time taken by any relevant third parties to respond to queries in relation to the application.

The Central Bank will, as a matter of routine, take up references from relevant supervisory authorities, including overseas supervisory authorities, if applicable. The Central Bank may, where relevant, consult national central banks or other relevant public authorities. When the review process is satisfactorily completed, the application will be presented to the relevant decision maker(s) for determination in line with the Central Bank's Authorisation Framework. Authorisation will only be

granted where the Central Bank is satisfied that the applicant complies with all applicable authorisation criteria.

Part 6 – Post Authorisation

The Central Bank requires that a proven track record in accordance with the original application submission (including the Programme of Operations and Business Plan) is displayed before a newly authorised Credit Servicing Firm can amend/expand its business lines. Therefore applicants should ensure that the Programme of Operations and Business Plan are as complete as possible to cover activities that are proposed to be undertaken in the first eighteen months post authorisation.

Credit Servicing Firms should monitor and, on a regular basis, evaluate the adequacy and effectiveness of the policies and procedures, systems and internal control mechanisms and governance arrangements in place to ensure their on-going compliance with all relevant legislative and regulatory requirements and take appropriate measures to address any deficiencies identified promptly.

Procedures and policies should be kept up to date and be made available to the Central Bank, for review, upon request.

Consumer Protection: *Policy & Authorisations Division*
Central Bank of Ireland
January 2019

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Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem