

Supervisory Expectations for Payment and E-Money Firms




Your Partner For What's Next





Background:

On 9 December 2021, the Central Bank issued a letter setting out its expectations for all Payment and E-Money firms and instructing them to complete a comprehensive assessment of their compliance with key legislative and regulatory requirements. Firms are required to provide a Board approved attestation confirming completion and conclusion of this assessment to the Central Bank by 31 March 2022.

Summary of Expectations:

The Central Bank letter emphasises the increasingly important role Payment and E-Money firms play in the financial system and the lives of consumers and the significant impact on consumers arising from the failure of firms to meet their supervisory and regulatory requirements. It sets out the Central Bank expectations for all Payment and E-Money firms including the seven key areas set out below which are a priority for the Central Bank.

Area	Key considerations
 <p>Governance and Risk Management</p>	<ul style="list-style-type: none"> Do you have appropriate governance arrangements, control mechanisms and procedures in place? Do you have adequate and effective governance, risk management and internal control frameworks in place? Are you fully aware of your responsibilities under the fitness and probity regime?
 <p>Conduct and Culture</p>	<ul style="list-style-type: none"> Do you have an effective culture that promotes and embeds the appropriate and expected standards? Are these standards reflected across your firm in every aspect of how you conduct business from corporate governance structures to individual accountability; from strategy setting to product development and how you think about your customers; from risk management to people management; and from internal challenge to how whistle blowers are treated? Have you reviewed the risks to consumers of financial services in the Central Banks 2021 Consumer Protection Outlook Report and taken action where appropriate?
 <p>Safeguarding</p>	<ul style="list-style-type: none"> Do you have a robust, Board approved safeguarding risk framework in place to ensure that relevant client funds are appropriately identified, managed and protected? Are your safeguarding arrangements reviewed regularly to ensure they remain compliant with the relevant regulations? Do your second and third line of defence regularly perform independent oversight to ensure that the safeguarding risk framework is operating as expected?

Area	Key considerations
 <p>Business Model and Financial Resilience</p>	<ul style="list-style-type: none"> ■ Do you have a capital accretive business model that is viable and sustainable and do you have sufficient financial resources in place to support current and projected business plans with due regard for stress scenarios? ■ Do you submit accurate and timely regulatory returns and do you have a proactive approach to communication with the Central Bank including with regard to notification of any breach of legal or prudential requirements. ■ Do you have adequate policies and procedures in place to enable you to notify the Central Bank of Ireland of any material changes to the firm's business model?
 <p>Operational Resilience</p>	<ul style="list-style-type: none"> ■ Do you have a robust Business Continuity plan in place? The Central Bank expects firms to be able to respond to, recover and learn from operational disruptions. It also expects firms (including those which are part of a larger group) to operate sufficiently on a stand-alone basis to ensure the primacy of the legal entity authorised in the State. ■ Are you able to demonstrate that you are in control of your firms own activities and material risks including outsourced activities where the activities are conducted on the firm's behalf by a third party including any group entity?
 <p>Financial Crime</p>	<ul style="list-style-type: none"> ■ Are you aware that Payment and E-Money firms are classified as a designated person under the Criminal Justice (Money Laundering and Terrorist Financing) Act 2010 (as amended) (CJA 2010)? ■ Is your AML/CFT control framework based on a money laundering and terrorist financing risk assessment that specifically focusses on the money laundering and terrorist financing risks arising from your firm's business model? ■ Do you have robust controls in place to mitigate and manage the risks identified through this risk assessment?
 <p>Resolution and Wind-Up</p>	<ul style="list-style-type: none"> ■ The Central Bank expects that firms are able to recover if they get into difficulty, and if they cannot, they should be resolvable in an orderly manner without significant externalities. ■ Do you have an appropriate exit/wind-up strategy which is linked to your business model and considers the return of customer funds as soon as is reasonably practical in an exit/wind-up scenario?



Impact of non-Compliance

A set out in the Central Bank letter, breaches in regulatory requirements may result in customer detriment and/or disruption to the financial system. The Central Bank has extensive enforcement powers (including the ability to issue fines) which it can use where firms are found to have breached legislative or prudential requirements so it is imperative that all necessary steps are taken to ensure ongoing compliance and that Boards are aware of their responsibilities.

Actions Required

All Firms are required to conduct a comprehensive assessment of their compliance with the conditions of their authorisation and their safeguarding obligations under the Payment Services Regulation 2018 and the European Communities (Electronic Money) Regulations 2011.

The Central Bank expects the Board to oversee this assessment and consider the conclusions and any remediation actions emanating from the it.

Each firm must provide a Board approved attestation confirming completion and conclusion of this assessment to the Central Bank by 31 March 2022.



How we can help

With our combination of Risk and Regulatory expertise KPMG is uniquely placed to support you with the assessment required by the Central Bank.

We specialise in translating regulatory requirements into practical, operational and compliant processes and controls to protect our clients and their customers. We can help ensure that you have the appropriate processes, systems and training in place to meet your regulatory obligations across all areas identified in the Central Bank letter.

1. Design the assessment methodology

- Our team has deep technical expertise across all areas mentioned in the Central Bank letter and we can assist you with the design and implementation of the assessment in accordance with the Central Bank requirement. This includes a preparation of a report for your Board and a remediation plan for any gaps identified.

2. Conduct an independent assessment

- We have extensive experience providing independent reviews of risk and control frameworks and compliance with regulatory requirements. We can conduct a high level independent review of your approach to deal with the Central Bank requirements set out in the recent letter and/or we can complete an in-depth review across all requirements providing an independent report to you Board.

3. Remediation of any issues identified

- We have significant expertise and experience working with financial institutions on large remediation programs of work. We can work with you to plan and deliver any remediations arising from the assessment for the Central Bank.

Contact us



Gillian Kelly
*Partner & Head of
Conduct Risk Services
Risk Consulting*
t: +353 87 744 1120
e: gillian.kelly@kpmg.ie



Dani Michaux
*Partner and
EMA Cyber Leader*
t: +353 87 050 4769
e: dani.michaux@kpmg.ie



Jackie Hennessy
*Partner
Technology Risk*
t: +353 87 050 4171
e: jackie.hennessy@kpmg.ie



Yvonne Kelleher
*Managing Director
Risk Consulting*
t: +353 87 050 4349
e: yvonne.kelleher@kpmg.ie



Niamh Lambe
*Managing Director
Payments and Financial
Crime*
t: +353 87 050 4388
e: niamh.lambe@kpmg.ie



Gary Lynch
*Associate Director
Risk Consulting*
t: +353 87 050 4150
e: gary.lynch@kpmg.ie

kpmg.ie

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