Fintech

# 'Defensive' attitude of Central Bank putting off fintech investors

**Experts warn regulator is gaining a reputation for slow and unwieldy progress of applications**

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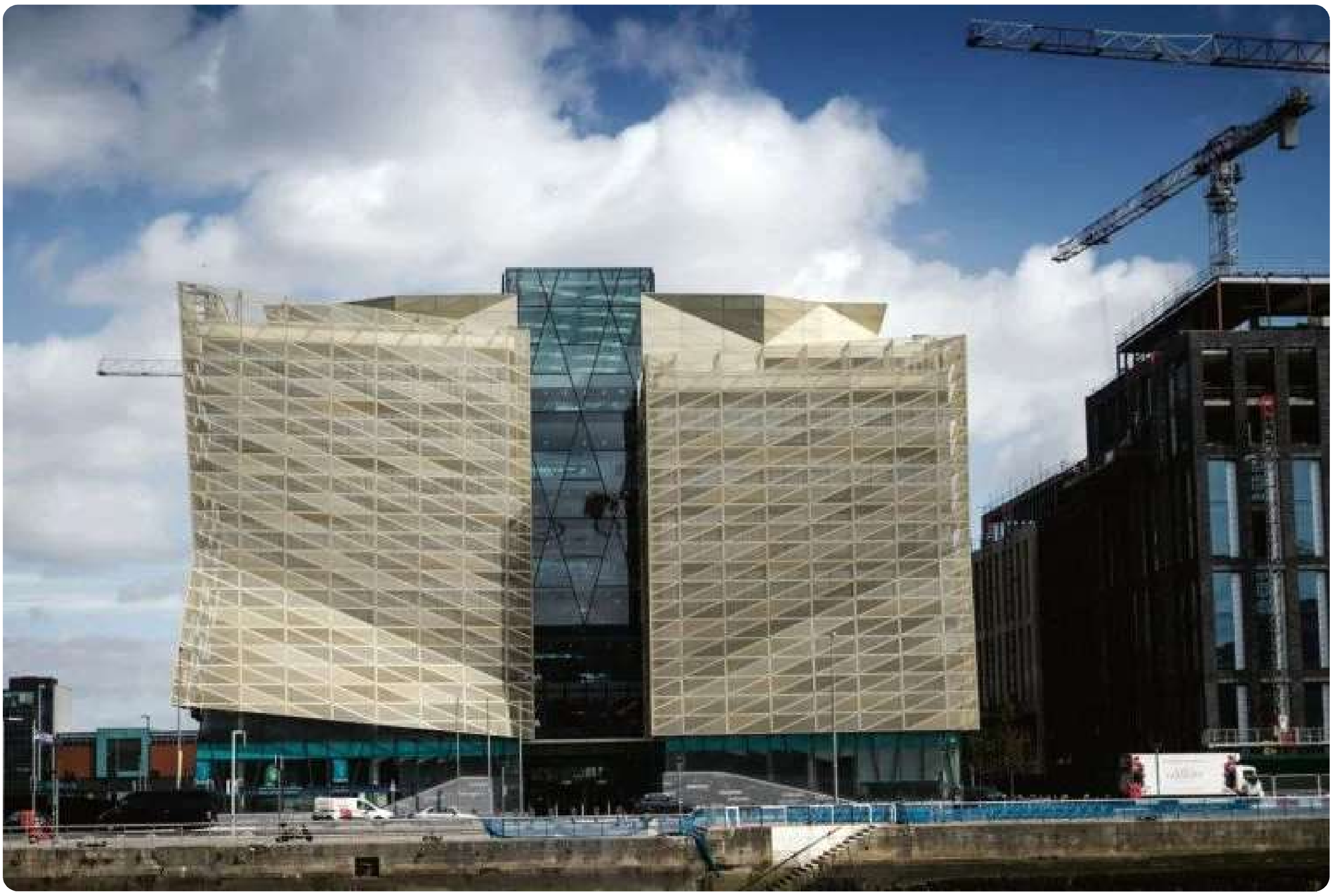

Fintechs seeking authorisation to operate in Europe are increasingly seeing Ireland as an unfriendly environment with the Central Bank of Ireland perceived as being out of touch and too slow to authorise companies, a number of leading experts have warned.

Speaking to the *Business Post*, Peter Oakes, a former Central Bank enforcement director and founder of Fintech Ireland, an industry group, said some companies which had sought authorisation through the Irish regulator had found it difficult to deal with.

“The Central Bank is at times coming across as unnecessarily defensive and surprisingly unprepared for meetings with applicants. Wrong or right, this is a situation which has developed and one the regulator is not sufficiently in front of,” he said.

“There is a common perception rooting itself in the local and international industry that the amount of time it takes to become authorised and the lack of clarity as to why applications aren’t advanced in a fair and timely manner is worrying a lot of applicants and potential applicants. It is not restricted to applicants; indeed regulated firms across the board seeking changes to their authorisation are left scratching their heads too.”

The comments come as Yodlee, the US software company, confirmed to the *Business Post* that it had “paused” its application for an open banking licence due to finding an alternative partner. In addition, Revolut recently opted not to accept an e-money licence from the regulator, while rival Vivid Money withdrew its application.

Eoin O’Connor, a financial regulatory lawyer and managing partner of Hogan Lovells’ Dublin office, said the importance of having a transparent, responsive authorisation process went beyond the fintech sector and was equally important for attracting investment from new entrants and increased competition in the banking, insurance and investment sectors.

“I completely understand the importance of financial service regulators having as rigorous an authorisation process as necessary. In my experience, many firms understand this and can see the benefits of it, both to them and the wider economy,” he said.

“However, firms also want as much certainty as possible about the journey to becoming a regulated financial service provider, which will always involve a significant investment in time and resources. Due to the nature of financial services passporting, firms can establish themselves and get authorised in any EU member state to service the entire EU market. If firms are shortlisting jurisdictions to invest in and can get a kick-off meeting with the regulator in one member state in a week, but another takes months, this will have a big impact on their decision where to establish.

“Similarly, if the authorisation process takes much longer than expected for unexplained reasons, firms could have buyer’s remorse about the jurisdiction they selected and may start to look elsewhere.”

Russell Burke, a regulatory and strategic payments consultant, and former Central Bank specialist in this area, said the regulator has a “robust but fair and transparent authorisation process”, with the assessmen became regulated between 2019 and 2020," he said.

Burke suggested a number of reasons for this, including the fact that the regulator "appears to lack the appetite, or perhaps the ability, to increase resources in line with the growth in applications".

The other factor potentially adding to the duration of the assessment phase he said seemed to be a "recent and surprising emphasis on an applicant's financial resilience and the need to provide a detailed wind-down plan".

Burke said the regulator should consider providing additional guidance to applicants to ensure they have all the material required included in their initial submissions, rather than having to compile additional information during the process.

Oakes suggested that radical changes were not required to right the current situation.

"A handful of straightforward enhancements should not only solidify the regulator's objectives but create a better-informed industry. At the very least it would make clear whether Ireland is a 'go-to' effective regulatory jurisdiction for innovation and should prevent the state scoring an own goal by losing out on quality firms moving here because of the current situation," he said.

The Central Bank admitted in a statement that authorisation could take time, but said operating a robust authorisation process was "solely aimed at protecting consumers and investors".

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