

Expansion of Business Activities – Implications on Organisational Structure and Regulatory Permissions

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1. Expanding Business Activities

When expanding business activities in Ireland or launching a new product, service, market, or using a new delivery channel, it is important to confirm whether such activities may require additional regulatory permissions. Any expansion requires assessment internally and engagement with the Central Bank of Ireland ("CBI"). There are multiple ways of providing financial services in Ireland, i.e. authorisation outright from the CBI, relying on authorisation held in another European Economic Area ("EEA") country to operate in Ireland on a freedom of services basis (passporting), a freedom of establishment basis (EEA branch), and third country branch. These are discussed in more detail below.

2. Authorisation Principles and Supervisory Expectations

Firstly, should a firm deem that additional regulatory authorisation is required, the first port of call is the CBI. The CBI's supervisory approach is outcomes-focused and risk-based. This allows effective deployment of resources relative to the size and complexity of the financial services sector. The CBI takes its gatekeeper role very seriously and applicants need to demonstrate that they can maintain continuous compliance once authorised.

The CBI published Cross-Sectoral Guidance in 2024¹, on authorisation expectations. Firms seeking authorisation should consider that:

1. Lack of clarity is one of the reasons for delays, particularly business model information.
2. Applications should reflect the most current information available, the applicant's knowledge of sectoral requirements and their implementation. The CBI will not provide business, legal, or technical advice, placing the onus on the firm to demonstrate readiness.
3. Applicants should be open, transparent and cooperative and should respond to questions and comments in a timely and straightforward manner. The CBI has a preference for engaging with the firm over advisors.
4. The CBI may impose company-specific "conditions of authorisation". Such conditions can include inter-alia: (i) notification of material changes / incidents, (ii) bespoke regulatory returns, and (iii) additional capital or liquidity requirements.

¹ https://www.centralbank.ie/docs/default-source/regulation/how-we-regulate/authorisation/authorisations-cross-sectoral-expectations.pdf?sfvrsn=5e87671a_4

The CBI will typically expect a certain minimum amount of information (key facts) in advance of meeting. Guidance is on the CBI's website under the relevant sectoral sections, with minimum requirements captured later in this article.

3. Approval Process / Project Steps

Any new activity should be supported by a business case and follow the firm's internal approval processes. It is recommended that a project manager be assigned. Project steps should include:

- a. An internal review through internal committees (Risk Committee, Executive Committee etc.) reporting to the Board. Evidence of this review and challenge is expected to be retained, with the Board ultimately accountable for the submission to the CBI.
- b. A product impact assessment which covers if the new products are aligned to the strategy.
- c. A customer impact assessment covering impacts to conduct and Anti-Money Laundering/Counter Terrorist Financing ("AML/CTF") requirements.
- d. A data impact assessment covering current and future data needs and information technology infrastructure. For example, are there any changes to the data library required for any additional regulatory reporting required?
- e. An internal controls impact assessment covering changes to roles, responsibilities, internal governance, and risk appetite.

4. Business Expansion

Should a firm not want to seek full regulatory authorisation in Ireland, there are a number of options when providing regulated services in another member state. Regulated entities can provide regulated services through:

- **Passporting:** Providing regulated services in other member states without the need for physical presence. In these cases, prudential supervision and capital requirements remain primarily the responsibility of the home member state. Conduct of business requirements are split between member states, depending on the applicable legislative framework. Passporting is usually available when providing digital/remote services.
- **Freedom of establishment:** Providing substantial services in a host member state. Branches cannot provide services or conduct activities beyond the home firm authorisation. Subsidiaries, on the other hand, are distinct legal entities which also require authorisation and benefit from the ability to provide services or activities cross-border. Subsidiaries are subject to increased supervision compared to branches, and are utilised when face-to-face contact and local knowledge is essential as part of the business model. The addition of branches in other member states brings oversight

from these regulators to be aware of.

- **Tied agents / intermediaries:** Under the Markets in Financial Instruments Directive² (tied agent) and the Insurance Distribution Directive³ (tied intermediary), regulated services can be provided via an appointed individual or company who acts solely on behalf of the regulated entity.

Generally, passporting is the quickest of the approaches to completion, with an EEA regulator required to notify the CBI within one month of receiving the application. The CBI will aim to complete the process within one month or a maximum of 90 days. There is a more detailed notification procedure when setting up a branch. In addition, authorisation of an EEA base of a third-country firm is more complicated; effectively, full authorisation is required.

5. Expanded Permissions

When looking to expand authorised activities regulated entities should consider the following:

- **Existing legislative framework:** Is the licence expansion within the same regulatory framework? If so, are current and prospective authorised activities complementary? Divergent activities will bring heightened scrutiny, as do activities with increased risk.
- **Cross legislative frameworks:** Regulated entities may wish to carry out activities which are complementary across legislative frameworks. For example, some banks (CRD⁴) also provide depositary (UCITS⁵/AIFMD⁶) services. These activities require standalone internal controls and governance, whilst also needing to be connected into the overall strategy and risk management framework. Regulated entities who are considering this should be cognisant that this may result in multiple supervision teams.

6. Minimum Authorisation Requirements

- a. **Governance and Risk Management**
When establishing a new entity an applicant for authorisation will need to provide to the CBI a business plan, including the proposed structure,

² <https://www.esma.europa.eu/publications-and-data/interactive-single-rulebook/mifid-ii>

³ https://www.eiopa.europa.eu/browse/regulation-and-policy/insurance-distribution-directive-idd_en

⁴ https://finance.ec.europa.eu/regulation-and-supervision/financial-services-legislation/implementing-and-delegated-acts/capital-requirements-directive-crd-4_en

⁵ <https://www.centralbank.ie/regulation/industry-market-sectors/funds/ucits>

⁶ https://finance.ec.europa.eu/regulation-and-supervision/financial-services-legislation/implementing-and-delegated-acts/alternative-investment-fund-managers-directive_en

group structure, minimum capital requirements (dependent on sectoral requirements), financial projections (at least three-years) alongside details on the proposed operations. The CBI assigns different risk ratings to different sectors⁷ and depending on complexity and this will impact the level of information required as part of the application and when supervised. Applicants should evidence risk management and governance arrangements commensurate with the nature, scale and complexity of proposed operations in particular locally tailored risk management, compliance and internal control arrangements. A three-line defence model should be in place. The European Banking Authority Guidelines on Internal Governance (banking⁸ and investment firms⁹) and European Insurance and Occupational Pensions Authority Guidelines¹⁰ provides regulatory expectations where a new product, service or significant change occurs¹¹. Compliance with the Consumer Protection Code¹² must also be evidenced, with consumer interests at the centre of business models.

b. Outsourcing

Firms should also have outsourcing oversight. Ultimate responsibility for the oversight or management of key functions must remain in the firm. Where applicable, applicants should evidence arrangements to safeguard customer funds. Firms should demonstrate the ability to recover critical/important business services from unplanned disruptions, with documented wind-down plans also required. Firms should ensure they are compliant with the Cross Industry Guidance on Outsourcing¹³ and Operational Resilience¹⁴.

c. AML/CTF

Firms must demonstrate that risk management practices and internal controls are in place to ensure compliance with AML/CTF requirements

in the Criminal Justice (Money Laundering and Terrorist Financing) Act 2010¹⁵. This includes carrying out a business risk assessment; customer due diligence; ongoing monitoring of customers and transactions; filing of suspicious transaction reports; implementing policies, procedures and controls; retaining appropriate records; and providing ongoing training.

d. Capital/Financial Resources

As part of the authorisation and supervision processes, prudential regulators will assess and monitor financial resources. Prudential requirements, in the form of capital and liquidity requirements, are manifestations of the financial (and in some cases, non-financial) risks posed. Financial requirements fluctuate depending on authorisation (i.e. MiFID firms have different capital requirements to banks and insurance companies), with additional capital dictated by the risk profile. Stress tests and scenario plans may be requested.

e. Senior Accountability

Pre-Approval Controlled Functions (“PCF”) and Controlled Functions (“CF”) must meet the requirements of the Fitness and Probity Standards / Individual Accountability Framework (“IAF”), with the Senior Executive Accountability Regime (“SEAR”) applying to some firms. It should be considered whether existing staff take on new activities and whether any new prescribed/inherent responsibilities arise.

f. Local Presence

The CBI requires that the majority of the PCFs are Irish resident, with the CBI expecting the firm to be able to demonstrate decision-making capability and operational substance in Ireland. This will mean having the required personnel in Ireland with not being overly reliant on group/offshore entities. The CBI will also expect clarity on performance of key activities, where risks are managed, and how ultimate responsibility and control is retained.

g. Application Process

In general, an authorisation application takes between six and twelve months from the initial completed submission to authorisation. Length of time is impacted by the application quality and whether the applicant has developed a target operating model. Communications with the CBI should be conducted in a timely manner. Delayed correspondence will impact the overall application time.

The CBI website provides detailed information on the authorisation process for each type of firm. This includes application forms and information on the various stages. If a separate legal entity

7 Regulatory & Supervisory Outlook Report | Central Bank of Ireland

8 Guidelines on internal governance under CRD | European Banking Authority

9 Guidelines on internal governance for investment firms | European Banking Authority

10 Guidelines on System of Governance – European Insurance and Occupational Pensions Authority

11 <https://www.eba.europa.eu/sites/default/files/2025-08/654f1ca6-0cad-4a2a-b85c-dd2abfae5fe6/Consultation%20Paper%20on%20draft%20amended%20Guidelines%20on%20internal%20governance.pdf>

12 <https://www.centralbank.ie/regulation/consumer-protection/consumer-protection-code>

13 <https://www.centralbank.ie/docs/default-source/publications/consultation-papers/cp138/cross-industry-guidance-on-outsourcing.pdf>

14 <https://www.centralbank.ie/docs/default-source/publications/consultation-papers/cp140/cross-industry-guidance-on-operational-resilience.pdf>

15 <https://www.centralbank.ie/regulation/anti-money-laundering-and-counteracting-the-financing-of-terrorism/regulatory-requirements-guidance>



(in the EEA) is the best option when expanding in Ireland be aware that this may take some time and may not work for 'speed to market' products. It is recommended that firms consider engaging professional and legal advisors with their applications to ensure they meet the CBI's expectations.

7. Conclusion

One of the most common challenges firms encounter when expanding into new business activities is that Directors and senior management fail to follow appropriate governance, risk management and regulatory approval processes. This can expose firms to operational, financial and regulatory risk, including delays and increased CBI scrutiny. To support successful expansion, firms should ensure:

- Preparation, approval and implementation of a comprehensive business plan.
- Assessment of the proposal against risk appetite and governance frameworks.

- Completion of risk, compliance and AML/CTF assessments.
- Preparation of financial projections, including capital, liquidity and stress testing.
- Assessment of Fitness & Probity, IAF and SEAR responsibilities.
- Sufficient operational substance and decision-making capability in Ireland.
- They engage proactively with the CBI throughout the approval process.

Firms that adopt strong governance and early regulatory engagement are better positioned to achieve timely approvals and sustainable growth.