



Banc Ceannais na hÉireann  
Central Bank of Ireland

Eurosystem

# MiCAR Authorisation and Supervisory Expectations

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## Central Bank Overarching Authorisation and Supervisory Objectives

Ensure that we have a stable, resilient and trustworthy financial sector, sustainably operating in the best interests of the public, consumers and the wider economy.

### Expectations of Firms

- Protect consumers and safeguard users' funds (including digital assets).
- Be able to demonstrate autonomy and an appropriate level of 'substance' in Ireland, resulting in firms which are well governed, with appropriate cultures, effective risk management and control arrangements in place.
- Be financially and operationally resilient.
- Have business models which are viable and sustainable.
- Be able to recover critical or important business services from a significant unplanned disruption, while minimising impact and protecting their customers and the integrity of the financial system.
- If they cannot recover, be able to exit the market in a safe and orderly manner.




- **The Central Bank has an agreed MiCAR Risk Appetite** which guides our approach when authorising and supervising Crypto-Asset Service Providers (CASPs) under MiCAR.
- **The MiCAR Risk Appetite has been informed by:**
  - ✓ MiCAR legislative package.
  - ✓ Existing Authorisation and Supervisory Expectations.
  - ✓ Our learnings from engaging with firms with crypto related business models to date.
  - ✓ The external environment and the risks which have crystallised e.g. FTX.
  - ✓ The product offerings and utility.
  - ✓ Engaging with NCAs as well as International and European regulatory authorities.




# 2. MiCAR Risk Appetite

Our risk appetite will be applied on a firm-by-firm basis, operating a high authorisation threshold and guided by four key principles.

 **Utility and Customer Base** We are highly sceptical of CASP business models in which unbacked crypto-assets are heavily marketed, offered and distributed to retail investors for speculative investment purposes.

 **Firm Failure** While MiCAR will introduce some guardrails for consumers and investors, it does not remove the possibility of firms failing. A zero-failure risk appetite is not feasible.

 **Transparency** We expect applicant firms to be fully transparent on all MiCAR activity they intend to undertake, both and, in so far as is possible in the medium to long-term if their intent is to enter new markets.

 **No Predetermined Authorisation Assessments** Firms currently providing crypto services in Ireland will need to clearly demonstrate to the Central Bank that they meet all of the new requirements under MiCAR.



MiCAR Risk Appetite



MiCAR Authorisation and Supervisory Expectations



1. Engagement Principles



2. High Level Authorisation and Supervisory Expectations



### 3. MiCAR Authorisation and Supervisory Expectations - Engagement Principles



#### Transparency

Firms must act in a **fully transparent and open manner** with respect to their MiCAR global and EU strategy, both **from day one** and in so far as is possible in the **medium to long-term**.



#### Supervisability

If the Central Bank identifies obstacles to a firm operating in an **independent and autonomous manner** which would inhibit **Supervisability**, it will not be authorised.



#### Preparedness

Firms must be resourced **to engage with the Central Bank in a robust and timely manner on all aspects of an application** throughout the authorisation process.



#### Consumer Focus

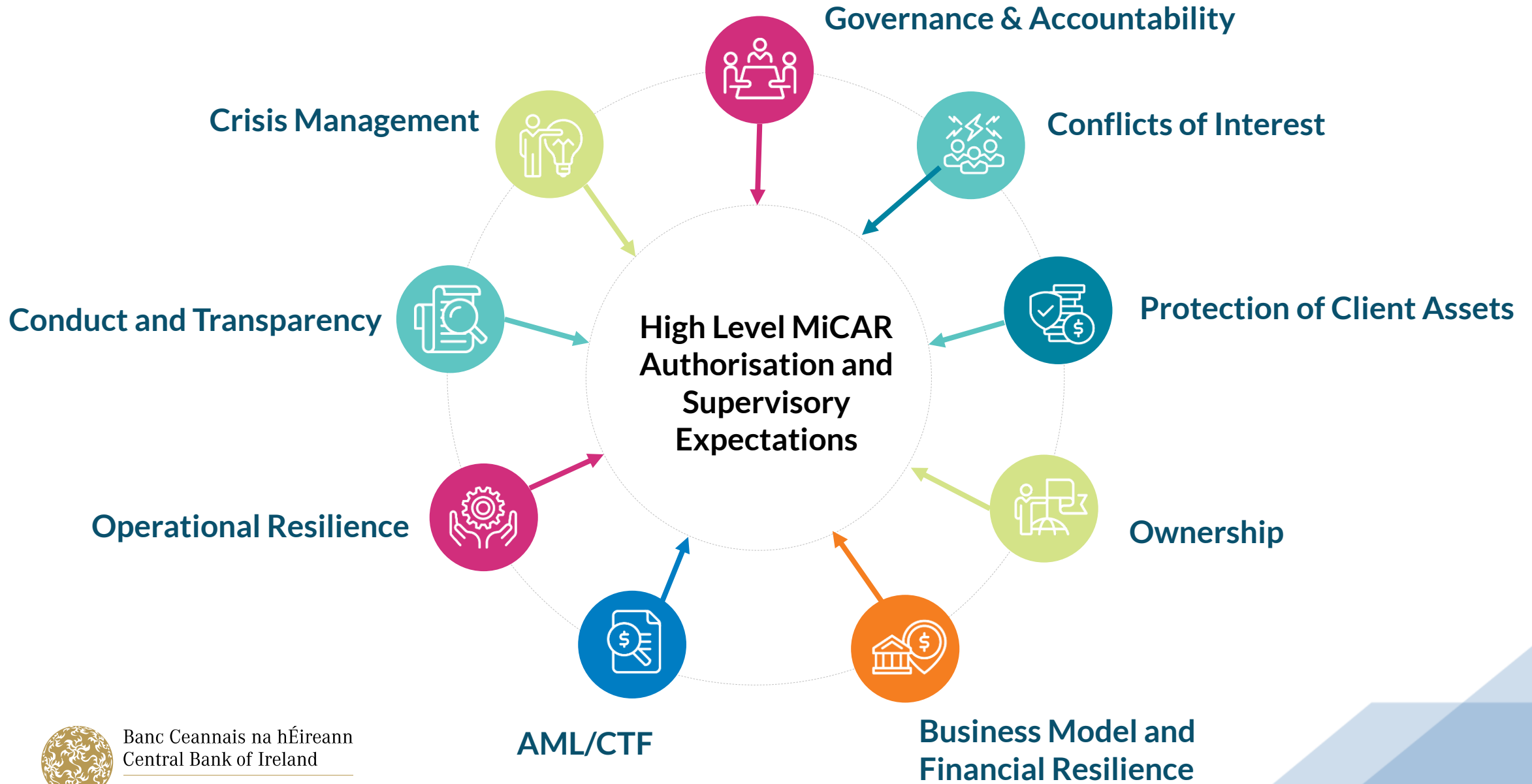
**Securing customer interests**, in particular in retail facing business models, needs to be at the centre of a firm's application.

Where we have existing regulatory relationships with firms, supervisory knowledge and our existing risk assessment will be taken into account.



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### 3. MiCAR Authorisation and Supervisory Expectations – High Level Expectations

#### Governance & Accountability



Demonstrate **substance and autonomy in Ireland** and be **led by a local crypto competent executive** and board with a strong grasp of the local regulatory environment.

Firms must maintain **robust local governance and risk management arrangements.**

#### Conflicts of Interest



Ensure that **no risks are posed to customer interests through conflicts of interests.**

Firms must ensure a **robust system** is in place which can **proactively identify and subsequently remedy any conflicts in a timely manner.**

#### Protection of Client Assets



The local firm must have **full control of all client assets with robust segregation, reconciliation and prompt access to the reserve of assets to meet redemption demands.**



#### Ownership



A full, transparent and corroborated view of the identity of direct and indirect shareholders as well as any party which can exercise influence over the firm.

Ownership and operating structures must be designed to achieve maximum transparency and clarity as to the ownership of the firm.

#### Business Model and Financial Resilience



Maintain a board approved business strategy which demonstrates the viability and sustainability of the business model and which fully reflects the vulnerabilities stemming from the product offering.

#### AML/CTF



Firms must demonstrate strong risk management practices and internal controls are in place in order to maintain compliance with Irish legislation.



## Operational Resilience



Ensure **continuity and regularity in the performance of its services** (including DLT/Blockchain).

## Crisis Management



Firms shall maintain **detailed plans appropriate to support an orderly wind-down of their activities and timely redemption of customer funds without causing undue economic harm to their customers.**

## Conduct and Transparency



Demonstrate how **customer interests are secured and how the suitability of their product offering is being proactively assessed** in accordance with the **customers risk tolerance.**



