

## FINTECH

## Central Bank warns some Irish fintechs still failing to fulfil 'basic' obligations

Sharon Donnery adopted a hawkish tone at Fintech Ireland Summit in Dublin

DONAL MACNAMEE | NOVEMBER 28, 2024



**Sharon Donnery: deputy governor, Central Bank of Ireland said: 'Contrary to some beliefs, central banks and regulators welcome innovation.'** Picture: Bryan Meade

Many Irish fintechs are still failing to fulfil their “basic statutory obligations” when it comes to protecting consumers’ money, the deputy governor of the Central Bank of Ireland (CBI) has warned.

Sharon Donnery, the person in charge of financial regulation at the CBI, issued a sharp rebuke to some firms in the sector at the Fintech Ireland Summit in Dublin on Thursday.

Some firms, she said, have still not understood the regulatory principles of good governance, risk management and consumer protection, with others failing to “sufficiently” deliver them.

Donnery did, however, welcome interest from fintechs in the CBI’s so-called innovation sandbox – a hub where firms can test out new products under regulatory supervision – and disclosed that nearly 40 firms had applied.

“Contrary to some beliefs, central banks and regulators welcome innovation,” Donnery said at the conference.

“While we don’t embrace it indiscriminately, our mandate is to deliver in the public interest.”

Fintechs have sometimes questioned the CBI’s “defensive” approach to firms seeking authorisation over recent years, amid a rapid rise in the number of new companies seeking licences to operate here.

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According to Fintech Ireland, a body set up to promote innovation, which is led by former central banker Peter Oakes and co-organised the conference, there are 76 authorised fintechs in Ireland.

Miriam Dunne, the regulator's head of innovation and stakeholder engagement, admitted last year the sector's development posed a "challenge for our mindset" and noted that the regulator is "committed more now to fostering innovation".

Donnery, though, struck a more hawkish tone towards fintech regulation on Thursday, noting the CBI's expectations for the sector "are not new".

"Unfortunately it does have to be said that our supervisory experience continues to point to instances of firms failing to provide the basic statutory obligations around protecting people's money," she said.

In an age of rapid technological advancement, Donnery also said the "basics" – good governance, risk management and consumer protection – "remain true".

"While these principles are general, our supervisory experience tells us they're not always understood.

"Or, if understood, they're not necessarily sufficiently delivered," she said.

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Donnery said that while it was understandable some fintechs would focus on fast expansion, "growing the business without also properly growing its control frameworks is not really a recipe for sustainable success".

"And indeed it is not acceptable for regulated providers of financial services," she added.

Donnery said both the CBI and regulated firms are responsible for looking after people's money and financial wellbeing.

"For those that are trusted with that responsibility, there are some basic expectations – in particular that you're well-run, have good governance and risk management capabilities commensurate with," she said.

Despite that, Donnery said the CBI was "delighted" at the breadth of companies that applied for its innovation sandbox, for which applications closed in recent weeks.

"Almost 40 [firms] in total" applied for the programme, she said, including companies from Ireland, the EU and the UK.

Applicants represented a "really wide variety of firms – from start-ups to established fintechs, to incumbent financial services providers," she said, adding that the regulator would announce the selected participants in the coming weeks.

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