

The background of the image shows two men in business suits sitting at a desk. The man in the foreground is on the right, wearing glasses and a dark suit with a tie, looking towards the left. The man in the background is on the left, also wearing glasses and a brown suit, looking at a laptop. There are blue folders on a shelf in the background and a glass of water on the desk in the foreground.

wellington IT Compliance Update

Quarter 3, 2016

Introduction

Making sure to stay on top of changing compliance requirements is a key priority for Credit Unions. It can all seem like a lot to take in, so we hope this compliance update will be of interest to you.

At Wellington IT, our priority is to assist you in any way we can to make understanding, implementation or transition to new compliance regulations as stress-free as possible. As part of the process, our Compliance Manager, Greg Allen, is here to support you with your compliance needs, and to make sure we're actively responding to industry changes.

Please let us know if you want to add any colleague to this email list.



Enabling Credit Unions to offer Member Home Loans

EU (Consumer Mortgage Credit Agreement Regulations) 2016 (SI 142 2016) became Law on 21 March 2016, and is all about new standards relating to loans secured by immovable property or unsecured loans for acquisition of immovable property – a Home Loan for your Members being the best example.

In May of this year, we were approached by a number of Credit Unions to put a Home Loan facility in place. Wellington IT have worked on the regulation change primarily from a compliance and systems perspective, to ensure that Credit Unions could seize opportunities to expand their presence in the mortgage market.

This initially seems like a purely compliance-based issue, but what marks it apart is that it is helping Credit Unions on income. We hope to have Application Process, Application Form, Letter of Offer and European Standard Information Sheet ('ESIS') working within a pilot Credit Union in November, and available to other Credit Unions in the New Year.

In addition, we're also working on specific processes for Credit Unions that want to move into offering mortgages, including stage drawdown, account management, credit control, interest rate changes and calculation of Annual Percentage Rate of Charge ('APRC') at the moment.



Transition to Financial Reporting Standard (FRS 102)

FRS 102 is a Financial Reporting Standard that's applicable in both Ireland and the UK for businesses that are not quoted companies, which means that Credit Unions come under its influence.

In order to assist Credit Unions in the transition to FRS 102, we undertook a number of steps to be prepared for system related changes that need to take place. We attended a number of events and talks to make sure we knew as much as possible about the implications of FRS 102 before it was implemented, including:

- The ACCA Credit Union Interest Group
- A meeting with David Malone of the Irish League of Credit Unions to discuss our strategy.
- We and the Compliance Special Interest Group ('SIG') arranged a conference call with financial leaders, as well as a number of Credit Unions that had raised matters through Support team.

We also issued a document titled 'FRS 102 Update for Financial Leaders of Credit Unions in the Republic of Ireland' which was sent to Credit Unions on the 28th of September.

You can access it here: http://www.well-it.com/downloads/FRS102_Update.pdf



Assisting with your 3rd Annual Compliance Statement

We know your Annual Compliance Statement is due to be completed before November 30th 2016 and that whilst this covers a wide number of matters under Part IV of the Credit Union Act 1997 - outsourcing under Section 76J is one element.

Your contract with us already reflects matters suggested in Committee of European Banking Supervisors ('CEBS') Guidelines on Outsourcing. These include:

- A formal and comprehensive contract obliging ourselves and Credit Unions to protect confidential information (Guideline 8);
- Written agreement on responsibilities of both parties (Guideline 9);
- Knowledge that your contract provides for supervisory access (i.e. CBI) without notice (Guideline 11).

These guidelines are often interwoven into what CBI regard as best practice. The Central Bank of Ireland use COBIT, ISO27001 and ITIL best practice standards. It's a high-set bar, but we're dedicated to using the same approaches so we know our customers are getting the best.

Some of the Certifications such as ISO 27001 and ISO 20000 use the same methodologies referred to by CBI. COBIT is a framework issued by ISACA - a US not for profit organisation. Their main efforts are the development, adoption and use of globally accepted, industry-leading knowledge and practices for information systems. Previously known as the **Information Systems Audit and Control Association**, it has significant influence when it comes to deciding on Best Practice.

We sent out a Compliance Pack in July 2016 which contained a number of certifications that you may require. There are no definitive lists of what you should or should not have, as this area is not prescriptive, but we want to make sure you have all the information you might need to make an informed decision.

[You can find the pack here:](#)

This pack contains:

- Company certification of Registration
- Registration of Business Name CRO
- Office of Data Protection Commissioner (RoI) details
- Information Commissioner (NI) details
- ISO Certifications 20000 IT Service Management System & 27001 Information Security Management System
- Data Centres Certifications - ISO 9001 Interxion & ISO 22301 Business Continuity Management

We also produced other documents that a number of Credit Unions found useful:

- WIT Insurance extract on Public, Product and Employer Liability
- WIT Business Continuity Plan
- WIT DR4 Service description
- WIT EBA 'Security of Internet Payments'

We will arrange to get these documents to you shortly. In addition, the User Executive Group has completed penetrations tests of CU Online and CU Anywhere. These are available from the User Executive.

Wellington is a division of Volaris Inc, ultimately owned by Constellation Software Inc – as such we don't issue our own financial statements. You can access financial results at:

<http://www.cssoftware.com/investor-relations/webcasts>



The latest from Central Bank on Information Technology & Cyber Security risks

Within the last few days, the CBI issued a document called 'Cross Industry Guidance in respect of Information Technology and Cybersecurity Risks.'

We're planning to issue a document for Credit Unions on Cybersecurity risks soon, designed to help increase awareness for Credit Unions and help you mitigate those risks.

The CBI highlighted a number of matters that they were concerned about across the wide Financial Services Industry when it came to IT outsourcing:

- Failure to carry out thorough due diligence on prospective IT Out Sourcing Providers (OSP).
- Service Level Agreements (SLAs) lacking sufficiently robust provisions in relation to security, service availability, performance metrics;
- Failure to ensure that the outsourcing agreement provides for appropriate levels of support to be available for critical IT services;
- Inadequate monitoring of OSP service performance. This has resulted in, for example, shortfalls in service delivery going undetected by the firm for an extended period.

Our customers may find that some of these issues surprising, as your contracts with Wellington IT contain significant detail on SLAs and in addition we provide our online tool, 'Justin', for logging and managing them. This together with direct contact with your Account Manager addresses a lot of what the CBI view as poor in the industry.



Update on Credit Reporting Act 2013 – Central Credit Register (‘CCR’)

- The Regulations were signed on 16th September 2016 and became available on 22nd September 2016.
- The first upload of data will be a snapshot of the current loans on 30/06/2017. This is regardless of when the upload is done.
- The test upload must be done by 31/12/2017.
- Enquiries are mandatory from 30/09/2018.
- Initial project phase is for Consumers. Clubs/Sole-Traders etc. will be included in a later phase.
- The Personal Public Service Number (PPSN) will be used.
- When doing an enquiry, the PPSN will be mandatory
- If the person does not have a PPSN, then the equivalent TIN should be used.
- Existing PPSNs in the system can be re-used for the purposes of the CCR.
- Project timeline has been pushed out by 9 months
- Wellington IT have ongoing communications with the CCR team.

Whilst CCR will have information on any existing loan on commencement, historical loans will not be brought in. Whether or not to continue using ICB alongside the mandatory CCR will be a matter for each Credit Union to decide.



EU General Data Protection Regulation – EU 2016/679 (GDPR)

When the EU creates Regulations, they have direct effect in that no special legislation is passed to enact them. GDPR was adopted by the European Parliament and European Council in April 2016 and it will become law on **May 25 2018** which is about 18 months from now. It would be a key subject at any Compliance event that Credit Unions are attending.

The headlines:

- It will replace the 1995 Data Protection Directive that underpins the Data Protection Acts 1988 and 2003 and fragmented regulatory systems;
- It addresses some current technological challenges and opportunities such as profiling, data portability and the ‘right to be forgotten’;
- Many of the core principles remain the same but are expanded and clarified to strengthen rights;

- Regulation will also apply to businesses outside the EU offering services to EU residents or who monitor the behaviour of EU residents regardless of where the processing takes place;
- Each member state will establish as Supervisory Authority – likely to be the Office of the Data Protection Commissioner;
- The concept of ‘one stop shop’ compliance framework;
- Registration requirements will not be necessary;
- Consent to the processing of sensitive personal data remains subject to the requirements that consent be explicit and presented in a manner that is “in an intelligible and easily accessible form, using clear and plain language”;
- Rights of ‘data subject’ are strengthened and broadened;
- Regulation introduces obligation to report all breaches to Supervisory Authority;
- Profiling of ‘data subject’ is now to be regulated. Regulation encourages anonymization, pseudonymisation for data analytics;
- Harmonisation of penalties and the highest are significant - €20m or 4% of turnover.
- Enforcement powers are significant.



Anti-Money Laundering – EU 4th Directive (2015/849) and EU Wire Transfer Regulations (2015/847)

This Directive is required to be enacted in national law by 26 June 2017. The Directive’s enactment should see the repeal of the amended 2010 Act. For Credit Unions one huge concern is in relation to politically exposed persons (‘PEP’) which will now include domestic as well as foreign PEPs.

The Department of Justice 2014 ‘**Annual Report on Money Laundering and Terrorist Financing**’ seems to have a commitment to a domestic PEP list (see page 6 of this link):

[http://www.antimoneylaundering.gov.ie/website/aml/amlcuweb.nsf/0/B75E0654ED35762480257F230043F9FE/\\$File/2014%20Report.pdf](http://www.antimoneylaundering.gov.ie/website/aml/amlcuweb.nsf/0/B75E0654ED35762480257F230043F9FE/$File/2014%20Report.pdf)

It is not confirmed yet by Department of Finance as to whether there will be a domestic PEP list.

The other headlines:

- Extension of the Directive's scope to include greater number of traders by reducing the cash threshold for designated persons from €15,000 to €10,000, and also including providers of gambling services;
- Further application of the risk-based approach, using evidence-based decision making;
- Tighter rules on customer due diligence;
- Justification in using simplified due diligence;
- Additional requirements in relation to beneficial ownership.
- The accompanying Wire Transfer Regulation will automatically become law without any Irish legislative enactment.
- Full traceability obligation on payment service providers ('PSP') which a Credit Union is;
- PSP needs to ensure that information on payer and payee is complete;
- Provided there is full traceability to Payer, certain low value domestic transfers could be exempted from Regulation but this appears to require Member State (Ireland) to take some action;
- Obligation that the information is accurate on transfers over €1,000 unless transaction are linked;
- Simplified information on transfers within EU.

Payment Services Directive (II) EU 2015 - 2366.

This Directive is due to be national law by December 2017, and is concerned with significant compliance matters. These changes will affect a large proportion of our current approach to payment services, and change the payments landscape.

Some of the non-compliance-related but equally important changes include:

- Widens scope of PSD covering new services and players
- Extends scope of existing services providers that do not manage the account of payment service user
- Key is to enable access to accounts
- Updates telecom exemption limiting it to micro payments for digital services
- Includes non EU countries when one PSP is in EU ('one leg transactions')
- Enhances cooperation and information exchange in context of supervision
- EBA central register of authorised and registered payment institutions
- Make electronic payments safer and secure
- To be implemented by all PSP
- EBA will develop specific and objective security standards

Law Reform Commission

With so many changes to the legislation within the Credit Union Act over the years, it was a real effort to make sure you had the most recent version. We were in contact with the Law Reform Commission and asked them in March 2016 would they consider creating an up to date, consolidated version of the Credit Union Acts 1997-2012. This has now been done and is available:

<http://www.lawreform.ie/revised-acts/alphabetical-list-of-html-and-pdf-post-2006-revised-acts.557.html#C>

If you'd like any more information about what's happening with our compliance updates, or find out more about our upcoming customer communications just get in touch.

You can contact our Compliance Manager, Greg:
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Or, for general customer communication queries, you can reach the Marketing Department at
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Alternatively, give us a call on +44 (0) 28 90 1531 (Option 5).

