

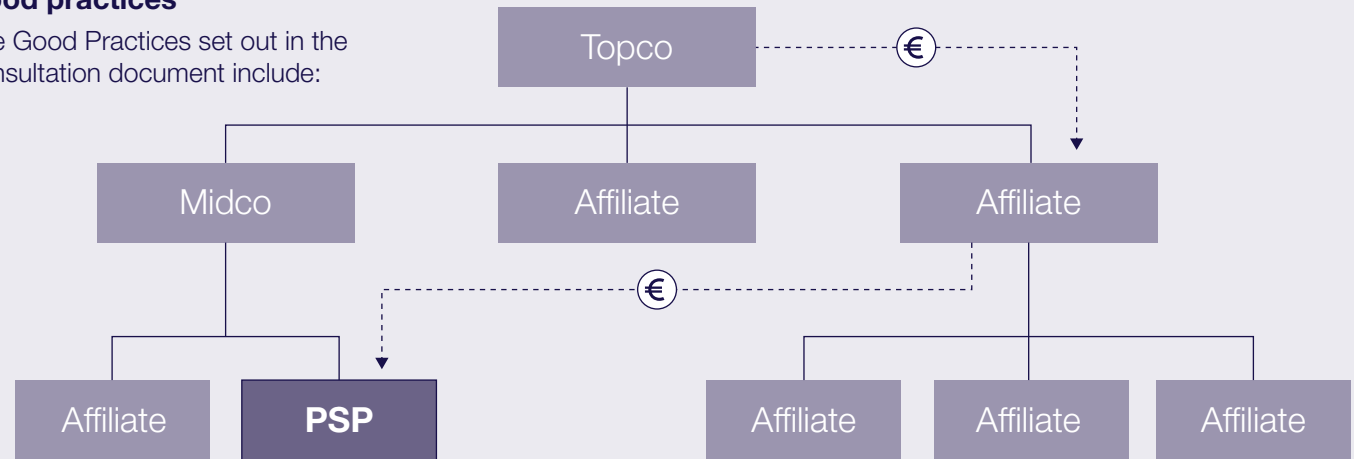
DNB's Good Practice intra-group relations

According to the Dutch Central Bank (*De Nederlandsche Bank, DNB*), intra-group relations, such as agreements and intragroup positions, between e-money and payment institutions (Institutions) and other entities within the same group can pose a threat to the solidity of the Institution. This threat can arise because of possible conflicts of interest, contamination risks, or concentration risks. Against this background, DNB is consulting the sector on a draft Good Practice on intra-group relations in the payments sector. The good practices provide practical guidance on how DNB expects Institutions to design and monitor intra-group exposures. A similar Good Practices document already applies to insurers.

Although the Good Practices are currently open for consultation, they provide valuable insight in DNB's views on appropriately controlling and mitigating intra-group exposures in the payment sector.

Good practices

The Good Practices set out in the consultation document include:



Putting in place an appropriate internal policy framework

- Institutions should have adequate procedures and measures in place to control the relevant legal and financial risks of intra-group relations and to perform periodic risk analysis.



Mitigating financial risks

- Institutions must ensure that the size of their exposure to another group entity is in a healthy proportion to the independent repayment capacity of that entity or covered by collateral that is not correlated with the credit quality of the group entity.
- Intra-group relations should only arise from specific activities that fit within the normal business operations of the payment and e-money institution.
- The institution and the group should always have a full insight into the size and financial risks of the intra-group relations, and monitor the independent repayment capacity of the group entities to which the institution has exposures.
- In no event should a single intragroup relation be a threat to the solidity of the institution; and risk concentration should be avoided or covered by adequate collateral.



Adequately documenting intra-group relations

- The intra-group relation should be clearly described in an agreement between the institution and the counterparty with an adequate legal basis, in which the respective rights and obligations are clearly defined.

If you have any questions on intra-group relations on outsourcing, please do not hesitate to contact the Stibbe's Financial Regulation team:



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