
PEER REVIEW FOLLOW-UP REPORT

ON AUTHORISATION UNDER PSD2

EBA/REP/2025/39

5 DECEMBER 2025



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Abbreviations

AML/CFT	Anti-money laundering/ countering the financing of terrorism
CA	Competent authority
DORA	Digital operational resilience act (Regulation (EU) 2022/2554)
EBA	European Banking Authority
EMD	E-money directive (Directive (EU) 2009/110)
EEA	European Economic Area
EMI	Electronic money institution
FTE	Full time equivalent
GL	Guideline
ICT	Information and communication technology
MiCA	Markets in crypto-assets regulation (Regulation (EU) 2023/1114)
ML/TF	Money laundering/ terrorism financing
PI	Payment institution
PRC	Peer review committee
PSD2	Payment services directive (Directive (EU) 2015/2366)

Executive summary

This report is a follow-up to the EBA 2023 peer review report on the authorisation of payment institutions and electronic money institutions under PSD2. It assesses the extent to which supervisors have implemented the recommendations from the 2023 Report in areas such as authorisation processes, implementation of the EBA Guidelines on authorisation, governance and internal controls, AML/CFT frameworks, and local substance. The follow-up peer review covered all 29 supervisors assessed in the original review, drawing on their self-assessments and clarifications reviewed by the Peer Review Committee.

During 2022-2024, most supervisors saw a decline in new applications compared to 2019-2021, with only a few reporting increases. Application volumes and authorisation timelines continue to vary widely across Member States, ranging between 4-6 months and up to 27 months in one Member State, and with a median duration of 9.5 months excluding that Member State. Delays are most often attributed to incomplete or low-quality applications and the time applicants take to address deficiencies. Other factors include changes during the assessment, business model complexity and, in some cases, staffing constraints or the involvement of multiple authorities. Most supervisors have taken steps to improve efficiency, such as clearer guidance, greater pre-application engagement, and streamlined internal procedures, but not all have made material changes, and some continue to report persistent delays.

Several supervisors have addressed deficiencies previously identified in the implementation of the EBA Guidelines, notably on business plan assessments and AML/CFT controls, although some gaps remain. Supervisors have also reported tangible improvements in their assessment of applicants' governance and internal control mechanisms. All but one reported that they apply the three lines of defence model for applicant payment institutions and electronic money institutions in a proportionate manner. Nonetheless, there are still significant differences in how this model, as well as broader governance and internal control requirements, are formalised and implemented across jurisdictions, making it difficult to compare supervisory practices or achieve consistent outcomes.

On AML/CFT, several supervisors for which gaps in their practices had been identified in the 2023 Report reported strengthened scrutiny at the authorisation stage. But gaps persist in some supervisors' approaches, notably in ML/TF risk assessment, oversight of branches/agents/distributors, and assessment of the person responsible for AML/CFT compliance. On local substance, all now reported that at the authorisation stage they verify effective management and control from the home Member State. However, expectations on how applicants should demonstrate compliance with this requirement continue to diverge, creating risks of regulatory arbitrage and forum shopping.

While there have been notable improvements and a general trend toward convergence, persistent divergences in key areas remain, creating risks of an unlevel playing field and regulatory arbitrage. Further efforts are needed to close remaining AML/CFT gaps and to promote greater convergence in governance, internal control mechanisms, and local substance.

1. Introduction

1. This report is a follow-up to the EBA peer review on the authorisation of payment institutions (Pis) and electronic money institutions (EMIs) under Directive (EU) 2015/2366 (the Payment Services Directive, or “PSD2”), which was conducted in 2022 and the findings of which were published on 11 January 2023¹ (the “2023 Report”).
2. The 2023 Report, covering a three-year period from 2019-2021, provided:
 - an overview of the authorisation process under PSD2 across Member States, including data on application volumes, process duration, and competent authorities’ (CAs) resources;
 - an assessment of the implementation by CAs of the EBA Guidelines on authorisation under PSD2² (the “EBA Guidelines”), with a focus on selected guidelines³; and
 - an assessment of CAs’ practices in assessing applications, particularly in relation to applicants’ business plans, governance arrangements and internal control mechanisms, including internal control mechanisms to comply with AML/CFT obligations, qualifying shareholders, and compliance with Article 11(3) PSD2 on local substance.
3. Across the three main areas mentioned above, the report identified good practices observed across CAs but also set out recommendations for follow-up measures for CAs, including:
 - a general measure for all CAs to review their internal processes and resources to ensure timely scrutiny of applications;
 - measures for specific CAs to fully implement the EBA Guidelines; and
 - measures to strengthen convergence of supervisory practices in assessing applications.
4. The 2023 Report also set out several recommendations addressed to the European Commission regarding enhancements to the PSD2 text, aimed at promoting a more harmonised approach in areas where divergences in national implementation and supervisory practices were observed (notably, regarding governance arrangements, the assessment of directors and persons responsible for management of Pis and EMIs, and local substance).
5. In line with Article 11 of the EBA Peer Review Methodology⁴, two years after the publication of a peer review report, the EBA publishes a follow-up report, which includes “an assessment of, but not be limited to, the adequacy and effectiveness of the actions undertaken by the competent authorities that are subject to the peer review in response to the follow-up measures of the peer review report”.

¹ [EBA Report on the peer review on authorisation under PSD2](#) (EBA/REP/2023/01)

² [EBA Guidelines under PSD2 on the information to be provided for the authorisation of payment institutions and e-money institutions and for the registration of account information service providers](#) (EBA GL/2017/09)

³ Regarding, in particular, the business plan (GL 4); organisational structure, governance and internal control mechanisms (GLs 5 and 8); AML/CFT internal control framework (GL 14); suitability of shareholders with qualifying holdings (GL 15); and confirmation of completeness (GL 1.3 (Section 4.4) of the Guidelines).

⁴ [EBA Methodology for the conduct of peer reviews](#) (EBA/DC/2020/327)

6. This report presents the findings of that follow-up review. The follow-up review focused primarily on those issues which the original report had identified as affecting a significant number of CAs, and for which CAs had been assessed as not meeting the legal requirements and/or supervisory expectations deriving from the PSD2 and the EBA Guidelines.
7. The follow-up review was conducted by a Peer Review Committee (PRC) composed of EBA staff and staff from CAs (see Annex 1). In line with the EBA Peer Review Methodology, the primary source of information for this assessment has been CAs' responses to a self-assessment questionnaire that covered the period from 1 January 2022 to 31 December 2024. The PRC reviewed submissions for completeness, consistency and clarity, and sought clarifications and documentary evidence where needed; no on-site verification or case-file reviews were undertaken.
8. The focus of the follow-up review has been (i) whether the actions taken by CAs addressed the follow-up measures identified in the 2023 Report, as referred to in paragraph 3 above (adequacy), and (ii) whether these actions resulted in tangible improvements in supervisory practices and outcomes (effectiveness). However, it should be noted that the assessment of effectiveness was constrained by the nature and quality of information provided by CAs. In most cases, the evidence submitted did not allow for a comprehensive or fully objective evaluation of whether the actions reported by CAs have led to measurable improvements in supervisory outcomes. As a result, while the report aims to assess both adequacy and effectiveness, the conclusions on effectiveness are necessarily limited and should be interpreted with caution.
9. Chapter 2 presents an overview of the authorisation process across CAs and developments compared to the period that had been analysed in the original peer review (2019-2021). This is followed by an assessment of the implementation by CAs of the follow-up measures recommended in the 2023 Report regarding CAs' resources and processes (Chapter 3), the application of the EBA Guidelines (Chapter 4), the assessment of applicants' governance and internal control mechanisms (Chapter 5), the review of applicants' AML/CFT internal control framework (Chapter 6), and the review of applicants' local substance (Chapter 7).

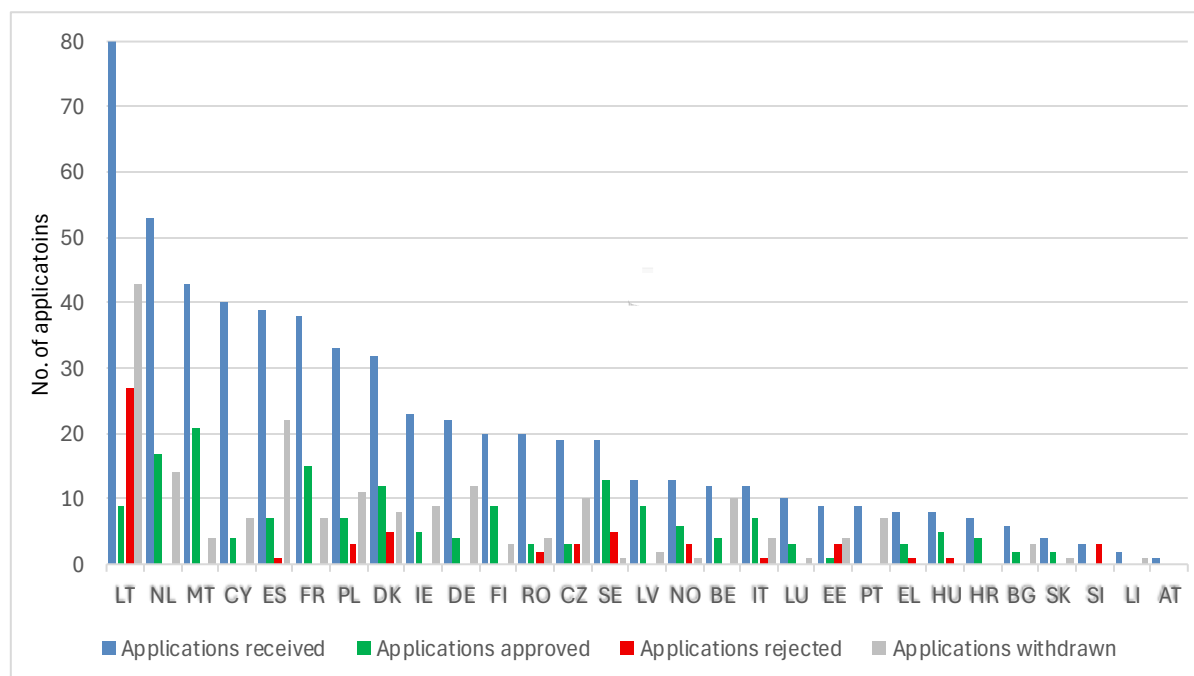
2. The authorisation process of CAs and developments since the original review

10. This chapter provides an overview of developments in the authorisation process of CAs during 2022–2024 compared to 2019–2021, focusing on three key elements: application volumes and authorisations granted, the duration of authorisation processes, and the resources allocated by CAs. Specifically, Section 2.1 examines trends in application volumes and authorisations granted across jurisdictions; Section 2.2 analyses the duration of authorisation processes and the main drivers behind delays; Section 2.3 reviews the resources dedicated by CAs to authorisation; and Section 2.4 sets out the PRC’s overall conclusions.

2.1 Applications received and authorisations granted

11. Application volumes varied significantly across jurisdictions. As shown in the figure below, the five CAs with the highest volumes were LT (80), NL (53), MT (43), CY (40) and ES (39). At the other end of the spectrum, AT, LI, SI, SK and BG reported the lowest volumes.

Figure 1. Applications received between 1 January 2022 and 31 December 2024



12. Although LT received the highest number of applications (80) in 2022–2024, only 11% of those applications were approved, 54% were withdrawn, and 34% were rejected. The high withdrawal and rejection rates indicate that many applicants did not meet regulatory expectations to receive authorisation.

13. The number of authorisations granted (for applications received from 1 January 2022 to 31 December 2024) across CAs varied widely. The CAs that granted the highest number of authorisations were MT (21), NL (17), FR (15), SE (13) and DK (12). At the other end of the spectrum, some CAs did not grant any authorisation (AT, LI, PT, SI) or granted only a very small number of authorisations (e.g., EE (1), BG (2) and SK (2)). The low number of authorisations in these jurisdictions is linked to the low number of applications received by those CAs in the period analysed, as shown in Figure 1.

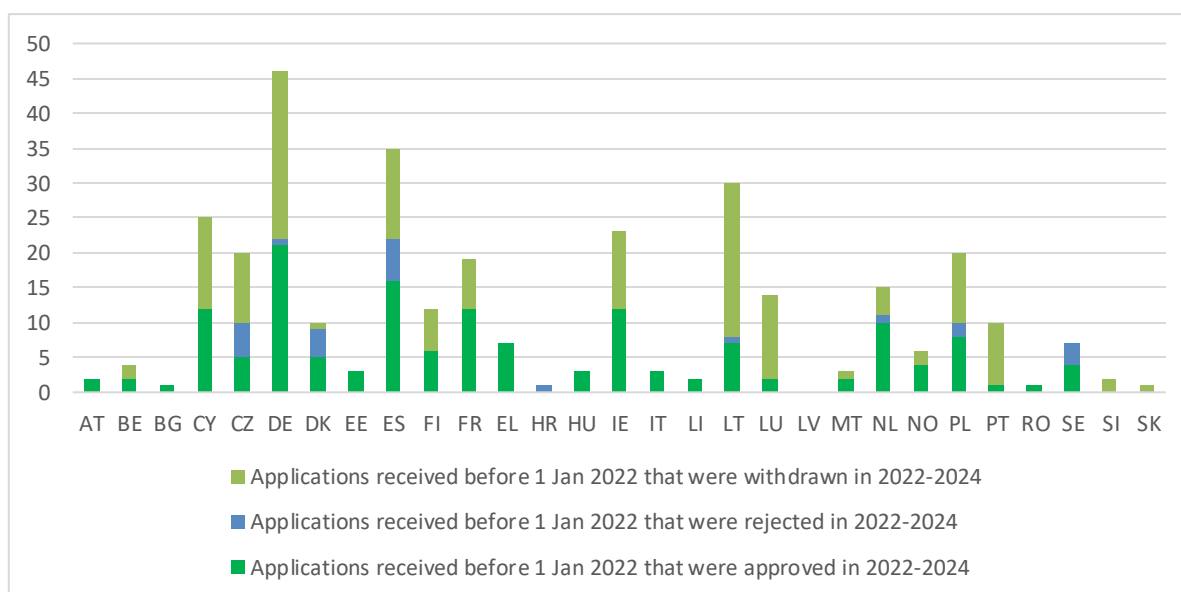
14. Furthermore, using the data in Figure 1 above, the following observations can be made:

- Approval rates were highest in: LV (69%), SE (68%), HU (62%), IT (58%) and HR (57%);
- Rejection rates were highest in: SI (100%), LT (34%), EE (33%), SE (26%) and NO (23%);
- Withdrawal rates were highest in: BE (83%), PT (78%), ES (56%), DE (54%) and LT (54%).

15. Some CAs (AT, BE, CY, FR, IE, LI, LU, MT, PT and SK) did not report any rejections. However, this is not surprising especially where application volumes were very low, withdrawal rates were high, or pre-screening processes are robust. In many cases, applicants are encouraged to withdraw their applications if it becomes clear that approval is unlikely, which reduces the number of formal rejections. Additionally, some CAs employ pre-screening processes that filter out unsuitable applications before formal submission, further contributing to low rejection rates. Such patterns are consistent with the previous review period and reflect differences in CAs' approaches.

16. The above analysis covers only new applications received during 2022–2024. Legacy applications (submitted before 2022 but decided during the period of the follow-up review) also represented a substantial share of authorisation activity for some CAs, notably DE and ES, each processing 22 such cases. In DE, 21 of these were approved, while ES approved 16 and rejected 6. Other CAs with substantial legacy approvals include FR, CY, and IE, each with 12 approvals (see Figure 2).

Figure 2. Legacy applications (submitted before 2022 and decided during 2022-2024)



17. As shown in Figure 2, in several countries (such as AT, CY, BE, etc.), all legacy applications decided during the review period were either approved or withdrawn, with no formal rejections recorded. The fact that no rejection decisions were taken may reflect a combination of low volumes of legacy applications, high withdrawal rates, and differences in CAs' approaches to application assessment.

Comparison with 2019–2021

18. Overall, 21 out of 29 CAs saw a decline in new applications compared to the previous period. From the data in Figure 3, the most significant decreases ($\geq 50\%$) occurred in: AT (–80%), SE (–79%), BE (–76%), DE (–71%), IE (–71%), SI (–67%), LT (–66%), NO (–63%), EL (–62%), LU (–52%) and HU (–50%). In addition, NL experienced a substantial decline in absolute terms (–39 applications, from 92 to 53), despite a percentage decrease just below the 50% threshold (–42%)

19. By contrast, eight CAs recorded an increase in applications:

MT: +43% (from 30 to 43), making it the CA (after LT and NL) with the third highest volume of applications in 2022–2024

CY: +18% (from 34 to 40) (the fourth highest volume of applications)

PL: +32% (from 25 to 33)

RO: +67% (from 12 to 20)

FI: +33% (from 15 to 20)

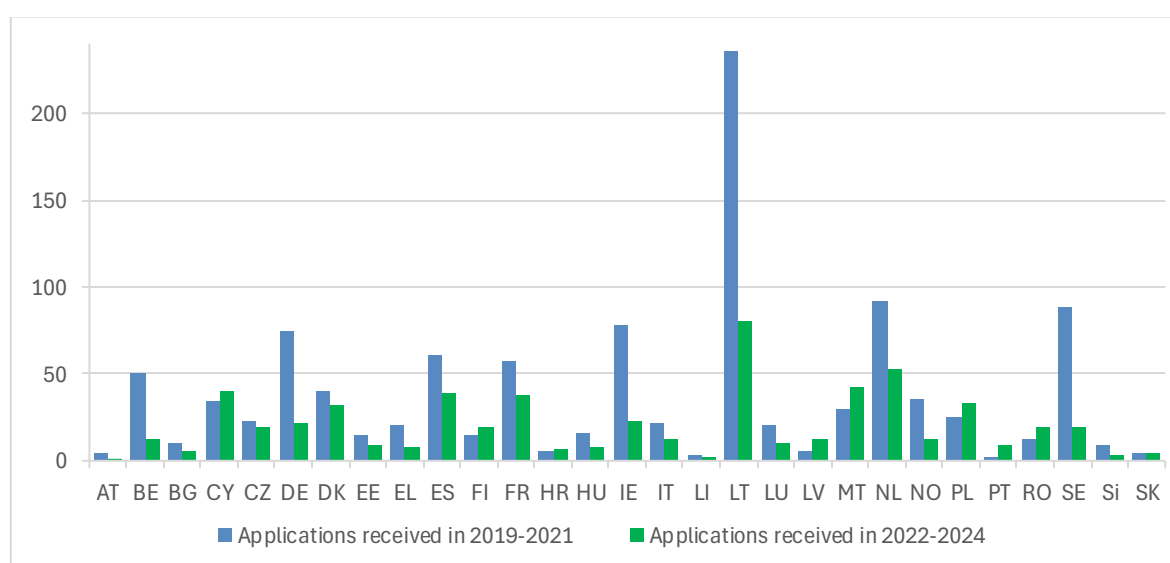
LV: +116% (from 6 to 13)

PT: +350% (from 2 to 9)

HR: +17% (from 6 to 7)

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Figure 3. Applications received in 2022–2024 vs 2019–2021



20. According to several CAs, the variations in application volumes during 2022–2024 can be attributed to a combination of factors, some of which are specific to individual jurisdictions.

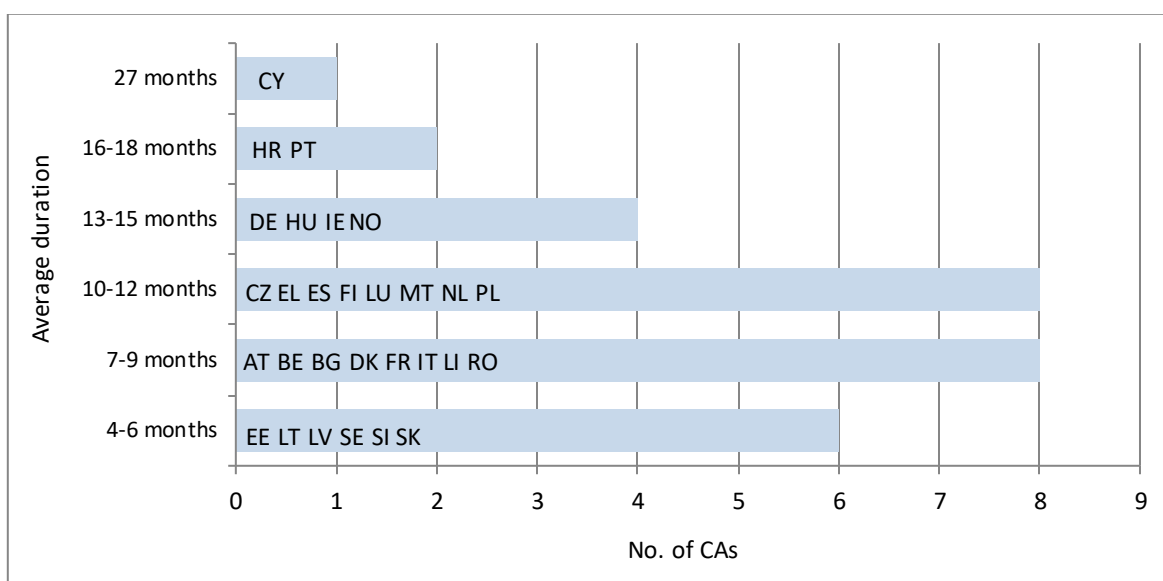
Some authorities, such as IE, LT and NL, pointed to the end of Brexit-related demand as a key reason for the decline, noting that the surge in 2019–2021 was largely driven by UK-based firms seeking EU licenses, a trend that naturally subsided after the Brexit transition period.

21. Others, including DE and LT, highlighted market maturity and consolidation, explaining that increased competition and a higher number of licensed institutions have raised the bar for new entrants, leading some investors to pursue acquisitions rather than new licenses. Broader macroeconomic and geopolitical uncertainty also played a role, with some CAs, particularly LT, citing post-COVID investor caution and the impact of Russia's aggression against Ukraine as factors contributing to more conservative investment strategies, especially in the Baltic region. SE, for example, linked the decline in applications to the general economic downturn and a parallel decrease in related activities, such as applications for qualifying holdings. ES attributed the decline relative to 2019–2021 largely to a standardised pre-application phase that filters out non-viable proposals before they become formal applications.
22. Conversely, some CAs that reported an increase in applications attributed this to proactive national strategies and reputational shifts. MT, for instance, referenced its removal from the Financial Action Task Force (FATF) grey-list in 2022, active promotion of the fintech sector, and the appeal of a single regulator for all financial services. The CA also noted that Malta's historical ties and strong similarities in corporate law with the UK have made it an attractive option for UK-based firms seeking an EU licence post-Brexit. Similarly, LV pointed to government-led initiatives and close engagement with industry associations as key elements in strengthening its position as a fintech hub.

2.2 Duration of the authorisation process and factors influencing timelines

23. The average duration of the authorisation process during 2022–2024, measured from the date of submission of the application (whether complete or incomplete), varied significantly across CAs. While PSD2 sets a three-month deadline from the receipt of a complete application, the end-to-end time from initial submission to decision is often longer, as many applications require further information before they are deemed complete.
24. As shown in Figure 4 below, the average duration of the authorisation process, counting from the application submission, ranges from 4–6 months in six Member States to 27 months in CY, the longest among all CAs. These averages do not include any pre-application/pre-screening phase that may occur before a formal submission; as a result, in jurisdictions where pre-screening is used, the end-to-end elapsed time from first contact to decision can be longer. See Section 3.1 of the report for details on pre-screening practices across CAs.

Figure 4. Average duration of the authorisation process (2022–2024), counting from submission of the application



25. The median duration across the EU, excluding CY as an outlier, was 9.5 months.

26. The above averages were calculated based on applications received between 2022 and 2024 for which a decision was taken within the same period. As an exception, for three CAs (AT, LI and PT) the figures presented in Figure 4 above reflect the average duration of authorisation procedures conducted in 2019–2021, given that these CAs had few new applications received after 1 January 2022, none of which was approved or rejected during the review period (2022–2024). Therefore, for these three CAs the average duration mentioned above is only a proxy, and not directly comparable.

Comparison with 2019–2021

27. Seven CAs (CZ, ES, LT, LU, LV, PL, SI) reported shorter timelines compared to the previous review period. By contrast, seven other CAs (CY, EL, HU, IE, NL, NO and HR) reported an increase in the average duration, in some cases despite a significant drop in application volumes. For example:

- NL: Timelines rose from 7–9 months to 10–12 months, despite a 42% decline in applications.
- IE: Timelines increased from 10–12 months to 13–15 months, despite a 70% drop in applications.
- CY: Reported the most pronounced increase in average duration, from 13–15 months to 27 months.

28. The factors driving these extended timelines, as reported by the CAs, are explained below.

Factors influencing timelines

29. CAs identified a range of elements affecting the duration of the authorisation process. The most frequently mentioned causes were:

- Incomplete or low-quality applications, often reflecting applicants' underestimation of regulatory requirements; and

- Delays in the applicant responding to information requests from the CA.

30. Additional contributing factors cited by some CAs included:

- Insufficient CA's staffing (e.g., CY, PL, MT, NO) or the need to involve multiple units or national authorities in the review of applications (AT, FR, HR, IT);
- Increasing complexity of business models, requiring new skills and knowledge (e.g., ES, HR, EL);
- Delays by applicants in recruiting senior management (e.g., IE) or key personnel, such as directors and the compliance officer (e.g., LU); and
- Substantial changes made by applicants to their envisaged business models during the assessment phase (e.g., IE, HU);
- Applicant requested extensions of deadlines to submit documentation (e.g., HR); and
- Peaks of concurrent applications combined with fixed resources (e.g., HR).

31. Other country-specific factors mentioned by individual CAs included:

- IE: The CA explained that the increase in authorisation timelines for 2022–2024 compared with 2019–2021 was partly because 2019–2021 was dominated by relocations of previously authorised UK firms following Brexit, whose applications were generally high-quality, whereas 2022–2024 was dominated by new entrants with lower-quality applications.
- CY: The CA explained that the extended timelines compared to 2019–2021 were partly due to a backlog following an eight-month suspension of licensing in 2024 decided by the CA in order to assess the risk profile of the sector in Cyprus and decide the future strategy as regards new licenses.

32. National legal frameworks may also play a role in shaping the duration of the authorisation process. While PSD2 sets a three-month deadline from the point of completeness, some jurisdictions establish additional statutory timelines that complement PSD2 without contradicting it. For example:

- EE mandates a maximum of six months from submission.
- IT allows up to nine months, accounting for possible suspensions⁵.
- In DE, following a recent amendment to the national law transposing PSD2 from December 2023, the CA is required to reject applications that remain incomplete after 12 months from submission if the CA has formally requested completion.
- Similarly, in LU, BE, NO, and LV, the process must be completed within 12 months. In PT, national law also sets a 12-month deadline, although this is not always met in practice.

33. SE's national law, in turn, provides for automatic approval if no decision is made within three months of completeness, though this provision has never been applied in practice.

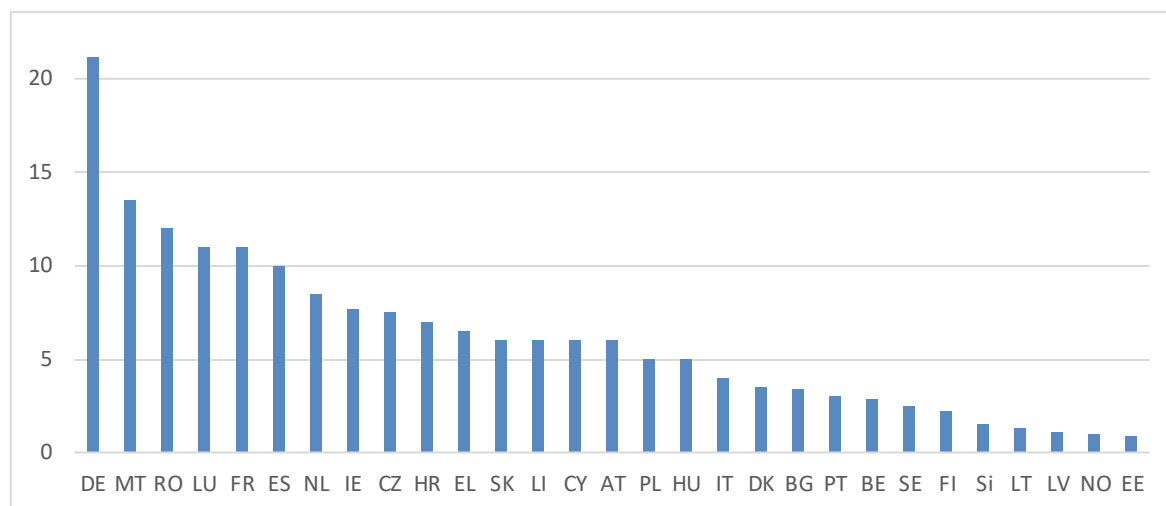
2.3 CAs' resources

⁵ In IT, the deadline to grant or refuse an authorisation is 3 months from the submission of all required documents, with the possibility for the CA to suspend the process in case additional clarifications or changes to the application are needed, in which case the applicant has up to 180 days to provide the requested information. Consequently, the authorisation process cannot exceed 9 months from submission of the application.

34. The human resources allocated by CAs to the authorisation of PIs and EMIs vary significantly across CAs.

35. Figure 5 below presents the number of full-time equivalents (FTEs) dedicated to the assessment of applications for authorisation (within the CA and, where relevant, from other authorities involved in the process) reported by CAs on a best-effort basis as of 1 May 2025.

Figure 5. FTEs per CA (as of 1 May 2025)



36. As shown in the above Figure, staffing levels vary significantly across jurisdictions, ranging from less than 1 FTE (EE: 0.9) to 21.15 FTEs (DE).

37. While approximately half of the CAs considered their resources adequate (AT, BE, BG, DK, EE, ES, HR, HU, IE, LT, LV, MT, NO, PT, SE, SI, SK), this did not always correspond to shorter authorisation timelines. The reasons for this are discussed in detail in Chapter 3.

38. Several CAs reported that staffing levels fluctuated during the review period in response to application volumes and complexity. For example, LT reported 1.3 FTEs as of May 2025, when application numbers were very low, but estimated that 5–6 FTEs were dedicated to authorisation during peak periods in 2022–2023. Given these variations, this report refrains from calculating a fixed ratio of applications per FTE.

39. Among the CAs that reported a need for additional resources, several authorities (AT, BG and IT) mentioned specifically the interplay between PSD2 and MiCA⁶, which is expected to further challenge CAs' capacity to maintain timely and effective authorisation processes.

40. Other reasons cited by some CAs were:

- Increasing complexity of business models and new technologies, requiring additional skills and knowledge (BG, HR)

⁶ [Regulation \(EU\) 2023/1114 of the European Parliament and of the Council of 31 May 2023 on markets in crypto-assets, and amending Regulations \(EU\) No 1093/2010 and \(EU\) No 1095/2010 and Directives 2013/36/EU and \(EU\) 2019/1937](#)

- Overlap with other supervisory responsibilities, as staff involved in authorisation often perform additional tasks (EL, FI, LU, SI)
- Coordination with AML authorities (RO)
- High application volumes or backlogs, particularly in MT and CY.

41. The above factors underscore the importance of proactive resource planning and process optimisation.

2.4 Conclusions on developments in authorisation processes

42. During 2022–2024, most CAs experienced a decline in new applications compared to 2019–2021, a trend that some CAs attributed to market maturity, the end of Brexit-related demand, and broader macroeconomic factors. In contrast, a minority of CAs recorded increases, in some cases linked to proactive national strategies, such as initiatives to promote fintech innovation and attract new market entrants.

43. Application volumes and authorisation timelines continue to vary widely across CAs. Average processing times range from 4–6 months in some jurisdictions to 27 months in one (CY), with an EU median of about 9.5 months. Although PSD2 sets a three-month deadline from the receipt of a complete application, actual end-to-end processing is often much longer. CAs attributed the extended timelines to incomplete or low-quality submissions and/or delays by applicants in providing additional information or addressing deficiencies. Other factors were also reported to influence timelines, such as changes made by applicants to their envisaged business model during the authorisation process, applicant-requested extensions, increasing business model complexity, and, in some cases, CAs' staffing constraints and the involvement of multiple national authorities. National legal frameworks also play a role, with some countries setting maximum durations for the process.

44. Resources dedicated to authorisations differ significantly across CAs, with staffing levels ranging from less than one to over twenty full-time equivalents (as of 1 May 2025). However, these figures are not directly comparable given differences in application volumes, complexity, and workload mix, and because in some jurisdictions staffing levels fluctuate with the volume and complexity of concurrent applications. Around half of CAs consider resources adequate, yet this does not consistently translate into shorter timelines, due to other factors impacting timelines outlined above.

3. CAs' resources and processes

45. The 2023 Report recommended that all CAs review their internal processes and resource allocations to ensure they remain adequate for scrutinising applications within a reasonable timeframe. This chapter assesses the extent to which CAs have implemented that follow-up measure, based on CAs' self-assessments and clarifications provided to the PRC.

46. The analysis distinguishes between (i) CAs that reported notable improvements, (ii) CAs with limited improvements and persistently long timelines; (iii) CAs reporting no change but with timelines within the average range; and (iv) CAs that did not report any material improvements and continue to have long timelines. Accordingly:

- Section 3.1 summarises measures taken by CAs that reported notable improvements;
- Section 3.2 covers CAs with limited improvements and persistently long timelines;
- Section 3.3 presents CAs reporting no change but with timelines within the average range;
- Section 3.4 sets out CAs that did not report material improvements and continue to have long timelines; and
- Section 3.5 provides the PRC's overall conclusions.

3.1 CAs that reported notable improvements

47. Most CAs have taken steps to enhance their resource allocation and/or internal processes. For example, some authorities (DE, DK, ES, FI, MT, RO) increased the number of FTEs dedicated to authorisations, including in jurisdictions where application volumes declined. Others focused on process changes, such as:

- Publishing or updating guidance to clarify regulatory expectations in key areas such as business plan, governance and internal controls (CZ, ES, IE, PL), or flagging legal requirements and common "show-stoppers" to applicants at the start of the process (DE);
- Adopting risk-based assessment methodologies to identify material deficiencies earlier in the review process (SE, LT), drawing on recent supervisory experience;
- Strengthening pre-application engagement and pre-screening (ES, CZ, IE, LU, MT);
- Implementing stricter completeness checks (NL), where only complete applications enter the substantive assessment phase;
- Improving internal coordination between departments involved in the authorisation process (ES, IT, NL);
- Improving tracking of applications by introducing monitoring tools with automated alerts to support timely workload rebalancing and prevent bottlenecks (IT) or by using simpler but effective tracking tools (FI);
- Limiting the number of information requests during the assessment phase (ES, NL);
- Undertaking internal reorganisation, such as LT reallocating responsibilities away from the licensing team to focus on application assessments. Conversely, CZ consolidated authorisation and supervision of PIs/EMIs in one department. Although this reduced the

number of FTEs dedicated to application assessments, the CA reported improved coordination and information flow, contributing to greater efficiency.

48. In some cases, the measures taken by CAs are recent, and additional time may be needed for their full impact to become evident. For example, as mentioned above, IE published in April 2024 additional guidance detailing the CA's expectations, and NL's comprehensive reforms were gradually introduced in 2024–2025. Given the recent implementation of these measures, their effect on timelines may only be visible after the review period. In the interim, for 2022–2024, IE reported an average period of 13–15 months (increased from 10–12 in 2019–2021), and NL reported an average duration of 10–12 months (increased from 7–9 months in 2019–2021), despite a 70% and, respectively, 42% drop in applications. Ongoing monitoring by CAs will be important to assess the long-term effectiveness of these measures.
49. Many CAs reported focussing on the pre-screening of applications, with nearly all authorities except eight (AT, BG, CY, DK, NL, NO, PL, SE), encouraging or facilitating engagement with prospective applicants before a formal application is submitted. Several authorities, including BE, ES, FR, IE and MT, reported actively promoting pre-application engagement through published guidance or structured procedures. For example:
- France's Fintech Charter explicitly recommends that applicants provide the CA with a presentation of their project before applying.
 - In Spain, the CA reported that the pre-screening phase is strongly recommended by the CA (through published guidance and a standardised pre-filling procedure) and is widely used in practice. According to the CA, this phase includes feedback on key issues, the legal classification of envisaged services, and a review of documents such as the programme of operations, business plan, organisational structure, internal controls, IT aspects, and identity of qualifying shareholders. The CA also indicated that it provides written feedback, including "deficiency letters", to help applicants address gaps before submitting a formal application.
 - In Malta, prospective applicants must submit a formal 'Statement of Intent', after which the CA schedules a preliminary meeting within 10 working days to review the proposal, focusing on the legal classification of services and key regulatory and operational aspects. To proceed, the applicant must receive a "no objection" letter from the CA. Once granted, the full application must be submitted within 40 working days; otherwise, the CA may consider the intent withdrawn or request a restart. The CA also reported that the supervisory team now joins pre-application meetings and assesses the competence of proposed key function holders in the pre-screening phase, partly in response to increased use of AI-generated documentation.
 - In Ireland, all applicants are required to submit a detailed Pre-Application Key Facts Document, including information on the type of authorisation sought, rationale for seeking authorisation in IE, business model, financial viability, capital, key risks, outsourcing arrangements, safeguarding, wind-down planning, organisational structure, staffing, and qualifying shareholder, and attend an initial meeting with the CA. The CA reported that it now encourages face-to-face interactions with prospective applicants as part of this pre-screening process, rather than relying solely on written exchanges. According to the CA, during the initial meeting with prospective applicants, the CA outlines the assessment

process, flags any issues that may prevent the application from proceeding, and provides guidance on areas requiring attention. Only after addressing initial matters is the firm invited to submit its application.

50. CAs that engage with applicants prior to formal submission consistently report efficiency gains and reduced processing times in the subsequent authorisation process. These benefits stem from fewer unrealistic applications and improved submission quality. However, pre-screening should not be used to artificially shorten the reported formal authorisation timelines, while in reality extending the overall end-to-end process for applicants.

3.2 CAs with limited improvements and persistently long timelines

51. Some CAs reported some limited measures, and continue to face challenges with lengthy timelines, in some cases longer than in 2019–2021, despite lower application volumes. The main reasons for the extended authorisation timelines, as reported by CAs, are explained in paragraphs 29 – 31 above and are not reiterated here. In particular:

- HR reported improved internal cooperation between the CA's organisational units involved in authorisation, and clearer definition and distribution of tasks. It also reported that pre-application meetings with prospective applicants and early feedback to applicants on material deficiencies were already in place prior to the original peer review. Despite these practices, the average duration rose from 10-12 to 16-18 months.
- PT reported some measures (publishing guidance on the CA's website, increasing the use of pre-screening, and setting shorter deadlines to applicants to reply to information requests), yet it reported an average authorisation period of 16–18 months (which, as explained in paragraph 26 above, is a proxy since the CA did not approve any new application in 2022-2024), despite low application volumes and reportedly adequate resources. Since no authorisation decisions were made during the reference period, the impact of these measures cannot yet be assessed.
- EL reported that it has increased resources by 1 FTE, and after the period under review (2022–2024) introduced a preapplication process (up to two optional preliminary meetings with supervisory staff to provide early feedback on the business plan and other key parameters). Notwithstanding these steps, average timelines for 2022-2024 increased to 10-12 months (from 7-9), despite a 62% drop in applications. The impact of the new preapplication process is not yet reflected in these statistics, as it was implemented after the period under review.

3.3. CAs reporting no change but with timelines within the average range

52. A few authorities (BE, BG, FR, LI) reported no changes to their processes or resources. According to these CAs, the reasons for this varied: resources and processes were already considered adequate (BE, LI); application volumes and processing times remained stable (BG); and delays were attributed primarily to the quality of applications, rather than to the CA's own resourcing (FR). All these CAs reported an average authorisation duration of 7-9 months, i.e. below the median at EU level.

3.4 CAs that did not report any material improvements and continue to have long timelines

53. In a few cases, no material improvements were identified and significant challenges, such as long processing times or resource constraints, remain unresolved. In particular:

- CY reported the longest average duration at 27 months (up from 13–15 months in 2019–2021). An eight-month suspension of licensing in 2024, an 18% increase in application volumes relative to 2019–2021, and staffing constraints contributed to the increase of processing times. Two FTEs added in 2023 were removed in 2025 due to internal restructuring.
- HU reported a duration of 13–15 months (up from 7–9 months), despite a 50% drop in applications. No measures to improve resources or processes were reported. The CA cited applicant-requested suspensions as a contributing factor to delays.
- NO reported an average duration of 13–15 months (up from 10–12 months), despite a 62% drop in applications; no enhancements to processes were reported and FTEs decreased from 2 to 1.

54. Taking into account the above, CY, HU and NO have not implemented the follow-up measure in the 2023 Report to ensure that processes and resources enable scrutiny of applications within a reasonable timeframe, and they are not meeting the PSD2 requirements in this area.

3.5 Conclusion on CAs' authorisation resources and processes

55. Most CAs reported that they have taken steps to enhance the efficiency of the authorisation process, including providing clearer guidance for applicants, increasing pre-application engagement, and improving internal procedures. Most CAs reported that pre-screening of applications has become a common practice, and many CAs consider it effective in improving submission quality and reducing the number of unrealistic applications. The PRC notes that while pre-screening can contribute to improved application quality and greater efficiency, it should not be used to artificially shorten the formal authorisation timelines.

56. Some of the measures introduced by CAs to improve efficiency are recent (2024–2025), so their effects are not yet reflected in the 2022–2024 averages and may only become apparent in future periods.

57. However, not all CAs have made notable changes to improve the efficiency of their processes and resources to enable scrutiny within shorter timeframes. A small number of CAs have implemented only limited adjustments and continue to experience lengthy authorisation timelines. Some authorities reported no changes, considering their existing processes and resources already adequate, while others have not introduced material improvements and still report persistent delays, with a few CAs showing significantly longer timelines than the EU average.

58. All CAs should continue to monitor the impact of implemented measures and, where relevant, take further steps to improve efficiency to enable applications to be scrutinised within a

reasonable timeframe, without compromising the quality and rigour of authorisation assessments.

4. Implementation of the EBA Guidelines

60. In the 2023 Report, 14 CAs were assessed as having “Not Applied” or only “Partially Applied” specific provisions of the EBA Guidelines on authorisation under PSD2. This Chapter assesses the implementation of the corresponding follow-up measures by those CAs⁷ and is structured as follows:

- Section 4.1 reviews SE’s implementation of Guideline 4 (Business plan);
- Section 4.2 assesses HU’s implementation of Guideline 14 (Internal control mechanisms to comply with AML/CFT obligations);
- Section 4.3 evaluates the implementation of Guideline 1.3 of Section 4.4 (Confirmation of completeness) across AT, CY, CZ, DE, DK, EE, ES, HU, IE, IT, LT, PT, and SI; and
- Section 4.4 provides the PRC’s overall conclusion.

61. As in the original peer review and in accordance with Article 19 of the EBA Peer review methodology, the following grading scales were used for benchmarking purposes:

- **Fully applied:** All assessment criteria are now met without significant deficiencies.
- **Largely applied:** Some of the assessment criteria are met with some deficiencies, which do not raise any concerns about the overall effectiveness of the competent authority, and no material risks are left unaddressed.
- **Partially applied:** Some of the assessment criteria are met with deficiencies affecting the overall effectiveness of the competent authority, resulting in a situation where some material risks are left unaddressed.
- **Not applied:** The assessment criteria are not met at all or to an important degree, resulting in a significant deficiency in the application of the provision.

4.1 Implementation of guideline 4 (Business plan) by SE

62. In the 2023 Report, SE was assessed as having only “Partially applied” guideline 4 on the business plan. Since then, the CA has taken several steps to strengthen scrutiny and clarify expectations for business plan elements. In particular, the CA reported that it now:

- Reviews the applicant’s certified annual accounts for the previous three years (guideline 4.1(b)).
- Requires applicants to submit a forecast budget for the first three financial years, including income statements, balance-sheet forecasts, and underlying assumptions, as per guideline 4.1(c). Forecasts should include both target and stress scenarios, explanations of key income and expense lines, financial debts, and capital assets. If necessary, the CA also requests a diagram and breakdown of estimated cash flows, although absence of these elements does not affect the completeness of the application.
- Requires documentation demonstrating the applicant’s initial capital and its composition as per guideline 4.1(d).

⁷ The measures identified in the 2023 Report where CAs were assessed to have “Largely applied” the Guidelines were excluded from the scope of the follow-up review.

- Requires applicants to submit forecasts of own funds for the next three years, including amounts and composition as per guideline 4.1(e). The CA accepts the applicant's preferred method but may request breakdowns for the other two methods if it disagrees with the assessment.

63. As a result, the PRC upgraded the scoring of SE as regards the implementation of guideline 4 from "Partially applied" to "Largely applied". This reflects that SE does not always require certain elements specified in guideline 4, such as the competitive analysis and marketing materials specified in guideline 4.1(a). In this regard, the CA indicated that it lacks a legal basis to reject applications missing these documents. Further enhancements to the legal framework may be needed for full alignment with guideline 4.

4.2 Implementation of guideline 14 (Internal control mechanisms to comply with AML/CFT obligations) by HU

64. In the 2023 Report, HU was assessed as only partially compliant with guideline 14. At the time, HU indicated that it did not require the information specified in guideline 14.1(c), (e) and (f) but that preparations were on-going to integrate those elements in the national authorisation process.

65. HU reported it has now fully implemented the guideline and that the content of Guideline 14.1(c), (e) and (f) is now reflected in the CA's licensing manual. As a result, the PRC upgraded the scoring of HU as regards the implementation of guideline 14 from "Partially applied" to "Fully applied".

66. As underlined in the 2023 Report, the PRC recalls that obtaining the documents required under guideline 14 are necessary but not sufficient to ensure compliance with the PSD2 requirements. It is essential that information obtained from the applicant on AML/CFT internal controls is also assessed by experts with appropriate AML/CFT expertise.

4.3 Implementation of guideline 1.3 of section 4.4 (Confirmation of completeness)

67. In the 2023 Report, 13 CAs (AT, CY, CZ, DE, DK, EE, ES, HU, IE, IT, LT, PT and SI) had been assessed as having "Not applied" or only "Partially applied" guideline 1.3 of section 4.4 of the EBA Guidelines, which requires CAs to confirm to applicants when an application is deemed complete.

68. AT, DE, IE, IT, PT and LT have aligned their practices with this guideline. Accordingly, the PRC upgraded their scoring from "Partially applied" to "Fully applied".

69. In the case of CZ, ES and SI, the CA confirms completeness once all documents have been submitted, but this confirmation is issued without a substantive review of the content of those documents at that stage. As a result, additional requests for information and documents may follow even after such confirmation. CZ noted that, in its view, its approach is compliant with

the Guidelines and that its confirmation of completeness is in line with guideline 1.1 of section 4.4, which requires that the application contains all information needed for assessment, and guideline 1.4, according to which the confirmation of completeness does not exclude the possibility of requesting any clarification.

70. ES explained that national administrative law does not allow it to provide applicants with a confirmation of completeness as set out in guideline 1.3 that is based on a substantive analysis. The CA further explained that under national administrative law, completeness is deemed achieved when all required documents are filed, which is also when the 3-months deadline for taking a decision to approve or reject the application begins to be counted. However, the CA highlighted that, in practice, a substantive assessment is carried out during the pre-application phase, prior to the formal submission, so that by the time confirmation of completeness is issued, a substantive review has already taken place.
71. The PRC's view is that the practices described above for CZ, ES, and SI fall short of the intent of Guideline 1.3, which is to give applicants certainty that the application is materially complete, not merely formally complete, and that a decision will be made within the 3-month period specified in PSD2; completeness should therefore be confirmed only after both formal and substantive checks. This is in line with Guideline 1.1 which states that "An application should be deemed to be complete for the purpose of Article 12 of [PSD2] if it contains all the information needed by the competent authorities in order to assess the application in accordance with these guidelines and with Article 5 of [PSD2]". While Guideline 1.4 explicitly allows CAs to request clarifications after confirmation, a confirmation based on a purely formal check, without verifying that the content enables a full assessment, leaves applicants exposed to repeated information requests and undermines predictability for applicants, as they cannot reliably anticipate when the assessment period will conclude or whether the three-month period has effectively commenced.
72. As regards the argument raised by ES that a substantive assessment is carried out during the pre-application phase, the PRC notes that since such pre-application phase is not mandatory, this assessment may not always be carried out at the pre-application stage; furthermore, such pre-application feedback from the CA does not provide sufficient certainty to the applicant that once the confirmation of completeness is provided, the CA will take a decision within the 3 months period set out in Article 12 PSD2. Based on the data reported by ES, the PRC understands that while the 3 months deadline starts to run under national administrative law from the moment the confirmation is issued by the CA, in practice this deadline is often suspended, and that often there are further requests for information and documents after the confirmation is issued. In the PRC's view, such practices are not in line with the guideline 1.3 for the reasons explained above.
73. Accordingly, the PRC is of the view that CZ, ES, and SI have only "Partially Applied" guideline 1.3 (compared to the findings of the 2023 Report, the PRC upgraded CZ's scoring from "Not applied" to "Partially applied" and retained the scoring "Partially applied" for ES and SI).

74. As for CY, DK, EE and HU, these CAs did not report any new measures to implement this guideline. Therefore, the PRC retained their scoring as “Not applied”.

4.4. Conclusions on the implementation of the EBA Guidelines

75. The table below presents a summary of the PRC’s updated assessments for the CAs and guidelines covered in this chapter.

Figure 6. Updated assessment regarding implementation of the EBA Guidelines (for the CAs and GL subject to the review)

GL	CAs	Updated scoring
GL 4 (Business plan)	SE	Largely applied (‘Partially applied’ in the 2023 Report)
GL 14 (AML/CFT)	HU	Fully applied (‘Partially applied’ in the 2023 Report)
GL 1.3, section 4.4 (Confirmation of completeness)	AT, DE, IE, IT, PT, LT	Fully applied (‘Partially applied’ in the 2023 Report)
	CZ	Partially applied (‘Not applied’ in the 2023 Report)
	ES, SI	Partially applied (No change)
	CY, DK, EE, HU	Not applied (No change)

76. Overall, most CAs that were assessed in the 2023 Report as having “Not applied” or only “Partially Applied” certain guidelines, have taken steps to address the gaps identified. SE strengthened its scrutiny of business plans, though full alignment with the guideline has not yet been achieved. HU fully implemented guideline 14 on AML/CFT controls. For guideline 1.3 on confirmation of completeness, six CAs achieved full compliance, while others improved only partially or reported no changes. While these findings reflect a positive overall trajectory, the PRC encourages those CAs whose implementation remains only partial or unchanged to continue their efforts towards full application of the Guidelines.

5. Review of governance and internal control mechanisms

77. This chapter reviews the extent to which CAs have implemented the follow-up measures set out in the 2023 Report regarding applicants' governance and internal control frameworks. Section 5.1 focuses on targeted follow-up measures for specific CAs, Section 5.2 addresses measures addressed to all CAs, and Section 5.3 sets out the PRC's overall conclusions.

5.1 Implementation of targeted follow-up measures for specific CAs

78. The 2023 Report recommended that:

- ES, DK, and SE assess, at the authorisation stage, whether the individuals responsible for internal control functions possess adequate knowledge and experience (para. 116);
- SE assess at the authorisation stage the adequacy of applicants' internal control resources (para. 118);
- As regards review of outsourcing agreements, it recommended that:
 - DK require applicants to submit their draft outsourcing agreements and conduct a more thorough content review (para. 122);
 - AT, DK, PL and SE ensure outsourcing contracts include all mandatory provisions under the EBA Guidelines on outsourcing, addressing gaps identified in the original peer review. These gaps concerned missing service level agreements (DK, SE), business continuity and exit provisions (AT, DK, SE) and reporting obligations related to events that may have a material impact on the PI/EMI (AT, DK, PL, SE) (para. 120).

Assessment of the qualifications of individuals responsible for internal control functions (ES, DK, SE)

79. ES has implemented this measure by requiring applicants to submit curriculum vitae (CVs) of the heads of internal control functions, as per the EBA Guidelines, and assessing their qualifications on the basis of the CVs.

80. DK and SE have not implemented the measure systematically. SE cited an absence of legal basis to assess the qualifications of these individuals or to reject applications on that ground. In addition, it noted that it does not request CVs but may hold meetings to assess management expertise. DK likewise cited an absence of legal basis to conduct a systematic assessment at the authorisation stage of all internal control function holders and noted that these roles are often filled only after authorisation. DK further noted that the Danish Payments Act extends fitness and propriety requirements to (i) the person responsible for anti-money laundering (AML) and (ii) members of the "actual management who are responsible for compliance or AML". However, the PRC is of the view that this provision does not expressly cover all internal control function holders outside "actual management".

81. Accordingly, the PRC is of the view that SE and DK have not fully implemented the measure in the 2023 Report. Although PSD2 does not explicitly require fitness and propriety assessments for internal control function holders at the authorisation stage, the obligation to ensure robust governance (Articles 5.1(e) and 11(4) PSD2) together with guideline 8.1(d) means that CAs are expected to review the identity and qualifications of these individuals (including by assessing their CVs), even if this does not amount to a full fitness and propriety check. DK and SE therefore do not meet the supervisory expectations under PSD2 and guideline 8.1(d) in this area.

Evaluation of the adequacy of the forecasted FTEs dedicated to internal control (SE)

82. SE has implemented this measure. It revised its methodology to assess forecasted FTEs using the business plan (guideline 4) and governance information (guideline 8.1(b)), and benchmarks forecasts against comparable PIs/EMIs to judge plausibility and proportionality.

Review of outsourcing arrangements (AT, DK, PL, SE)

83. AT, DK and PL have implemented the measure in the 2023 Report regarding the review of outsourcing agreements.

84. SE has partially implemented this measure. While its regulatory code requires outsourcing agreements to include provisions on business continuity and exit strategies, SE reported that there is no legal requirement for service level agreements. These are requested from applicants only if deemed necessary for compliance assessment, but their absence cannot be grounds for rejecting or deeming an application incomplete.

85. In this regard, the PRC recalls that robust governance under Articles 5.1(e) and 11(4) PSD2 includes effective outsourcing governance. Guideline 5.1(d) requires applicants to submit a copy of their outsourcing agreement and Guideline 14 (i) of the EBA Guidelines on outsourcing arrangements (EBA/GL/2019/02) requires that the outsourcing agreement for critical or important functions should set out, amongst others, *“the agreed service levels, which should include precise quantitative and qualitative performance targets for the outsourced function”*⁸. This means SE remains not fully compliant with the supervisory expectations deriving from PSD2, the EBA Guidelines on authorisation and the EBA Guidelines on outsourcing as regards the assessment of outsourcing agreements at the authorisation stage.

5.2 Implementation of follow-up measures addressed to all CAs

86. The 2023 Report noted that the high-level nature of PSD2 requirements on governance and internal control mechanisms has contributed to divergent approaches across CAs in the assessment of applicants' governance arrangements and internal control mechanisms, creating the risk of an uneven playing field. The Report recommended that the European Commission clarify, as part of the PSD2 review, minimum governance and internal control requirements for

⁸ The EBA 2019 Guidelines on outsourcing are currently being revised to take into account the entry into force of DORA since January 2023. The revised Guidelines, which have been consulted on in 2025 (see [EBA/CP/2025/12](#)) will be re-named *‘Guidelines on the sound management of third-party risk’*.

PIs/EMIs (subject to proportionality). It also recommended, drawing on observed best practices, that all CAs:

- require applicants to adopt a three lines of defence model⁹ where appropriate, leveraging on the EBA Guidelines on internal governance under the Capital Requirements Directive; and
- assess the adequacy of forecasted FTEs for control functions at authorisation.

Implementation of the three lines of defence model

87. Most CAs reported that they expect applicants to adopt a three lines of defence model, calibrated by proportionality, and many stated that this was already the case prior to the original peer review. However, some CAs did not clearly articulate their supervisory expectations or provide detailed criteria, and have instead provided only high-level responses, often referencing proportionality and the small size of applicant PIs and EMIs in their jurisdiction, especially when these are start-ups, without specifying concrete supervisory benchmarks or requirements. Consequently, the PRC cannot determine the extent of practical application across the EU or compare supervisory expectations on a like-for-like basis.

88. The degree to which CAs' expectations regarding the three lines of defence model are formalised varies. Several CAs (e.g., BE, CZ, DE, EL, FR, HU, IE, IT, MT, PT, LT, LU, LV) have formalised their expectations through methodologies or public guidance. Some of these (e.g., BE, BG, EL, FR, HU and IT) apply to PIs/EMIs the same framework that they apply credit institutions, with proportionality. Other CAs, such as AT and DK, assess on a case-by-case basis without formal documentation or internal methodology. ES outlines expectations during meetings with applicants and prospective applicants, and indicated that updated application forms, which will include more detail on the three lines of defence model, have been approved and are pending publication. CY and LU also plan to publish or update guidance.

89. The way in which the model is applied also differs. For example, many CAs (e.g., BE, BG, CZ, DE, CY, IE, ES, SE) expect a second-line risk management function with adequate resourcing and oversight. Others (e.g., LU) strongly recommend but do not require a risk function for smaller or start-up entities, reflecting proportionality and national frameworks.

90. Several CAs also mentioned that they allow outsourcing of the risk management function and/or of the internal audit function under strict conditions (e.g., oversight, SLAs, provider expertise, the institution retains full responsibility)¹⁰.

91. A particularly divergent approach was observed in NO, which does not require a three lines of defence model at the authorisation stage, citing a lack of legal basis. NO has proposed legislative amendments at national level to enable the CA to require a three lines of defence model where

⁹ The model comprises: (i) operational controls (first line); (ii) controls on risk management, including ICT risk control as required by Regulation (EU) 2022/2554 (DORA), and regulatory compliance (second line); and (iii) internal audit (third line).

¹⁰ For example, in FR, internal audit is typically outsourced to an audit firm; the CA reviews (i) the three-year audit plan (risk coverage), (ii) resources and auditor qualifications (with a minimum of 30 days/year for smaller entities), and (iii) reporting procedures to the head of the internal audit function and management.

appropriate, but these have not (yet) been incorporated into national law. As a result, NO remains an outlier in this area.

Adequacy of forecasted FTEs for internal control functions

92. Most CAs reported that they assess the adequacy of forecasted FTEs for internal control functions on a case-by-case basis, applying proportionality. They typically consider size, complexity, risk profile and anticipated growth, and where useful they benchmark against resources employed by existing similar PIs and EMIs (e.g., DE, FR and SE). The evaluation is conducted, among other factors, on the basis of applicants' budgets and explanations of the main lines of income and expenses (including internal control costs), which are part of the business plan (GL 4).
93. There is no specific method prescribed in PSD2 or the EBA Guidelines for how CAs should evaluate the adequacy of forecasted FTEs. The expectation is that CAs perform a reasoned assessment, but they retain flexibility in the approach and criteria used. As a result, it is not possible to draw a clear line between compliant and non-compliant practices in this area, and the diversity of approaches reflects both national discretion and proportionality.
94. Some CAs (e.g., BG, EL, ES, CY, IE) focus their assessment on the heads of internal control functions, given that applicants typically have no operations at the authorisation stage. For example, CY indicated that due to the start-up nature of the applicants, the CA accepts that the control functions are only staffed with the responsible person during the first years of operations. EL indicated that, where the business plan includes a roll-out plan with forecasted FTEs, or at a later stage when the business model is materialised, the CA may request additions or adjustments to the dedicated FTEs of the internal control functions, taking into account the institution's size, nature and risk profile.
95. CAs generally allow, subject to certain conditions, the outsourcing of operational tasks of the risk management, compliance or internal audit functions, especially for small start-ups. This outsourcing may provide justification for maintaining a reduced number of internal FTEs.

5.3 Conclusions on governance and internal controls

96. Most CAs with governance and internal control deficiencies that had been identified in the 2023 Report have reported progress in addressing them. However, implementation remains uneven. While certain authorities have taken measures to address identified gaps, others, notably DK and SE regarding the systematic assessment of qualifications, and SE regarding the inclusion of service level agreements in outsourcing contracts, remain not fully aligned with the supervisory expectations deriving from PSD2 and the EBA Guidelines.
97. All but one CA (NO) reported applying the three lines of defence model for applicant PIs and EMIs in a proportionate manner. Nonetheless, significant differences persist in how this model, as well as broader governance and internal control requirements, are formalised and implemented across jurisdictions, making it difficult to compare supervisory practices or achieve consistent outcomes. Most CAs also reported checking, at authorisation, the adequacy of

forecasted FTEs for internal control functions on a case-by-case basis, considering factors such as size, complexity, risk profile, and anticipated growth, with some benchmarking against similar institutions.

98. Overall, while progress has been made, differences in how CAs formalise and apply governance and internal control requirements for applicant PIs and EMIs continue to give rise to risks of divergent supervisory outcomes and an unlevel playing field. Further efforts are needed to promote greater convergence in governance and internal control mechanisms for PIs and EMIs.

6. AML/CFT internal control framework

99. The 2023 Report identified gaps in how certain CAs assess applicants' AML/CFT internal control frameworks and set out targeted follow-up measures for specific CAs to strengthen scrutiny at the authorisation stage. This chapter evaluates the extent to which those measures have been implemented. Specifically:

- Section 6.1 focusses on the assessment of applicants' ML/TF risk assessment;
- Section 6.2 examines how CAs assess the applicants' systems and controls to ensure AML/CFT compliance of their branches, agents or distributors;
- Section 6.3 focuses on the assessment of the person in charge of AML/CFT compliance; and
- Section 6.4 sets out the PRC's overall conclusions.

6.1 Assessment of applicants' ML/TF risk assessment (CY, HR, NO, SI)

100. The 2023 Report recommended, as a follow-up measure, that CY, HR, NO and SI define objective criteria/methodologies for scrutinising the applicant's ML/TF risk assessment which are aligned to the EBA's Risk Factor Guidelines (EBA/GL/2021/02) (para. 148).

101. CY, HR, SI reported that they have implemented this measure. Both HR and SI reported the criteria/methodology are not distinct from the those used during on-going supervision after authorisation. Implementation varies among the three CAs:

- CY created a detailed check list based on the core requirements of the EBA's Risk Factors Guidelines.
- HR and SI reported they have embedded the requirements in their internal manual and instructions.

102. In practice, HR has incorporated the requirements from Guideline 14 into its licensing manual for PIs and EMIs. The main criterion used by the CA to scrutinize the applicant's ML/TF risks assessment is whether the ML/TF risk assessment is adequate as regards the applicant's business model.

103. SI explained that during on-going supervision, its entity-level risk assessment is based on an 'annual questionnaire' and other independent sources, such as information from the AML/CFT supervisor. SI reported that information provided by applicants is assessed in the same way as during ongoing supervision, using the same criteria. However, it remains unclear from SI's response whether the 'annual questionnaire' used for on-going supervision (not communicated to the PRC) is also sent at the authorisation stage. If this is not the case, the PRC would consider SI has not fully implemented the follow-up measure.

104. NO has not implemented the measure. NO reported that the assessment is done on a case-by-case basis, depending on the ML/TF risk posed by the entity and its business model.

105. The PRC emphasizes that the ML/TF risk assessment is central to an applicant's AML/CFT internal control framework, as the AML/CFT controls and systems and mitigating measures of the applicant will be defined and assessed on the basis of the ML/TF risk identified. The PRC recalls that CAs should scrutinize the applicant's the ML/TF risk assessment at the authorisation stage.

6.2 Assessment of applicant's systems and controls to ensure AML/CFT compliance of its branches, agents or distributors (CY, DE, HU, HR, PL, RO, SI)

106. The 2023 Report recommended as a follow-up measure that CY, DE, HU, HR, PO, RO, SE and SI establish and systematically apply a methodology/criteria for the assessment of applicant's systems and controls to ensure AML/CFT compliance of the applicants' branches, agents or distributors (para. 150).

107. All of these CAs, except RO, reported that they have implemented this measure.

108. SE and HU reported that they have implemented the measure and now require information from applicants on their systems and controls to ensure AML/CFT compliance of their branches, agents or distributors. SE reported using a checklist and HU stated that it has incorporated this information in its licensing manual. Both documents incorporate Guideline 14 (c). HU reported that it uses supervisory expert judgment in assessing the information rather than specific criteria.

109. As regards the other CAs (CY, DE, HR, PL and SI) who reported that they have implemented this measure, the PRC found that different approaches have been followed:

- CY reported establishing a checklist.
- DE explained that a detailed questionnaire is sent to the applicant and the documents provided by the applicant are scrutinised, with the AML/CFT department consulted at an early stage.
- HR has incorporated the content of Guideline 14(c) in its licensing manual. The CA reported that the criteria applied are the same as those used for supervision.
- PL and SI reported that the recommendation has been implemented through their internal methodologies. However, following the PRC's request, SI did not provide supporting documents.

110. RO conveyed that so far none of the applicants have expressed interest in establishing branches, agents or distributors and that if such application were received, the same assessment used at the time of the 2023 Report would apply. RO further explained to the PRC that it considers "the same methodology used for the applicant's main systems can be used". The PRC recalls that the follow-up measure required RO to establish and systematically apply a specific methodology or criteria for assessing applicants' systems and controls to ensure AML/CFT compliance of their branches, agents, or distributors. Therefore, the PRC is of the view that RO has not implemented the follow-up measure.

111. The PRC recalls that relying solely on expert judgment does not constitute predefined criteria and therefore does not meet the requirement set out in the 2023 Report. For this reason, the PRC considers that HU has not implemented the measure.
112. As regards PL and SI, the information received by the PRC does not allow the PRC to assess whether these CAs have fully complied with the measure. The PRC recalls the need to define objective methodology/criteria with a level of detail that goes beyond a basic checklist.

6.3 Assessment of the person in charge of AML/CFT compliance (ES, HU, RO, SE)

113. The 2023 Report recommended, as a follow-up measure, that ES, HU, RO and SE assess, as part of the authorisation process, the suitability and expertise of the person in charge of implementing the applicant's AML/CFT obligations and define follow-up measures that the CA can take in situations where the results of such assessment are unsatisfactory (para. 151).
114. ES and HU reported that they now perform such assessment, while SE conveyed that its current legal framework prohibits this. More precisely:
- ES initially reported that, in almost all cases, the assessment was carried out by Bank of Spain (when the designated person coincided with the head of the risk and compliance function). On this basis, the PRC is of the view that ES has only partially implemented the measure. ES has indicated that, going forward, the CA will assess the suitability and expertise of the person in charge of AML/CFT compliance in all cases. The PRC invites ES to formalize and implement this new approach so that it can be considered as having fully implemented the measure.
 - HU reported that the law and licensing manual now require the CA's board to decide on this point. As this CA is both the AML and prudential supervisor, in practice both decide on the suitability and expertise of the person in charge of implementing the applicant's AML/CFT obligations.
115. At the time of the original peer review, RO reported that it required and assessed this information only for entities seeking authorisation for the provision of the payment services 1 - 6 of Annex I to PSD2. Since the 2023 Report, RO reported that a draft regulation is in the process of being approved at national level that would extend the requirements and assessment of information also for entities seeking authorisation for the payment services 7 and 8 of Annex I to PSD2.
116. Concerning the criteria used to evidence that the AML/CFT expertise is sufficient, RO and ES reported that they consider the person's previous experience. In that regard, RO reported the person should have at least one to three years of experience, depending on the complexity of the activity. RO added that this assessment is conducted on a case-by-case basis, taking into account other qualitative elements such as completion of professional training in the field of AML/CFT, as well as the nature, scope, and level of previous experience in relation to the responsibilities inherent to the position. ES reported that it requires the CV of the applicants but that it is a case-by-case assessment and that the criteria are not formalised. HU explained

that it assesses whether the application complies with its AML/TF Act but did not provide supporting details.

117. Regarding the follow-up measures the CAs can take in situations where the results of the assessment are unsatisfactory, ES and RO reported that the applicant must appoint another person who meets the requirements. HU reported that it notifies the applicant to remedy deficiencies, but did not specify how it expects concretely the applicant to remedy the deficiencies related to the suitability and expertise of the person in charge of implementing the applicant's AML/CFT obligations.
118. Practices currently vary among CAs. Setting a minimum experience requirement of as little as one year, depending on the complexity of the activity, is insufficient for such a key role, even if other qualitative elements are taken into consideration. For this reason, the PRC is of the view that RO has only partially implemented this measure. The PRC emphasizes the critical role of CAs in assessing the suitability and expertise of the person in charge of implementing the applicant's AML/CFT obligations and in obtaining evidence that the person's expertise is sufficient¹¹.

6.4 Conclusions on AML/CFT internal controls

119. Most CAs reported that they have implemented the follow-up measures in the 2023 Report to strengthen scrutiny of applicants' AML/CFT internal control frameworks at the authorisation stage. However, the depth and consistency of implementation varies significantly across jurisdictions, and several measures remain outstanding.
120. Specifically, persistent gaps were identified in the following areas:
- Assessment of applicants' ML/TF risk: NO has not implemented the follow-up measure to define objective criteria for assessing applicants' ML/TF risk assessments. It remains unclear whether SI's ML/TF annual questionnaire used for on-going supervision is also sent at the authorisation stage.
 - Assessment of systems and controls for branches, agents or distributors: HU relies solely on expert judgment without predefined criteria; PL and SI refer to internal methodologies but did not provide sufficient evidence of systematic application; RO has not implemented the measure.
 - Assessment of the AML/CFT responsible person: RO has only partially implemented the measure; SE reported legal constraints that prevent it from assessing the suitability of the AML/CFT responsible person; ES has only partially implemented the measure but indicated its intention to apply the assessment systematically going forward.
121. These divergences may undermine the robustness of applicants' AML/CFT frameworks at the authorisation stage. The PRC recalls the gatekeeper role of CAs in preventing misuse of the financial system for ML/TF and calls on CAs to close outstanding gaps, apply objective methodologies systematically, and reinforce scrutiny of AML/CFT internal controls at the authorisation stage.

¹¹ See also EBA Guidelines 2022/05 on the role, tasks and responsibilities of compliance officers

7. Local substance

122. The 2023 Report found significant divergence in CAs' supervisory expectations regarding applicants' local substance and the evidence required to demonstrate compliance with Article 11(3) PSD2. That Article requires PIs to have their "head office" in the same Member State as their registered office and to carry out "at least part of [their] payment service business there", without further detailing what this entails.

123. To minimise forum shopping and ensure sufficient local substance, the 2023 Report recommended that all CAs:

- verify that applicants are effectively managed and controlled from the home Member State and maintain close links with that jurisdiction; and
- check that applicants intend to target customers in the home Member State.

124. This chapter assesses how CAs have implemented these measures, and is structured as follows:

- Section 7.1 reviews CAs' approaches to verifying effective management and control from the home Member State;
- Section 7.2 examines how CAs assess applicants' envisaged customer base in the home Member State; and
- Section 7.3 presents the PRC's conclusions.

7.1 Assessment of effective management and control from the home Member State

125. All CAs reported that they check as part of the authorisation process that the applicant will be effectively managed and controlled from the home Member State. However, supervisory expectations on what constitutes "effective management and control" differ significantly across jurisdictions.

126. Most CAs impose some form of local presence, but the degree of prescriptiveness varies. Some CAs mandate that key personnel, such as executive directors and heads of internal control functions (risk management, compliance, internal audit) reside in or work from the home Member State. For example:

- CY requires two executive board members and the Compliance Officer to reside in Cyprus.
- EL mandates all executive board members and heads of internal control functions to be located in Greece.
- ES expects the CEO/general manager, CFO, and the persons responsible for the internal control functions (including ICT risks) to be based in Spain, applying proportionality where relevant.
- FR requires permanent residence for managing directors and key risk function holders (e.g., compliance, internal control, AML), applying proportionality only to the risk management function.
- LU expects at least two authorised directors, a Compliance Officer, an Internal Auditor (if in-house), and a Chief Information Security Officer (in charge of the applicant's ICT systems)

to be professionally based in Luxembourg in addition to the human resources needed to operate the PI's business. They must reside sufficiently close to the PI's office in Luxembourg, either in Luxembourg or in the Greater Region (Luxembourg's borders with France, Belgium, Germany).

- MT requires at least two individuals to direct the business from Malta and at least one resident board member; strong local substance is encouraged for senior management and control functions (especially for the head of Compliance, ICT oversight and the money laundering reporting officer).
- NL requires at least two executive management body members to be working from the Netherlands.
- LI expects most board members to reside within commuting distance, at least one director to have a local connection and that individuals responsible for the compliance and risk function generally perform their duties from Liechtenstein.

127. Other CAs do not impose strict residency rules but require credible evidence of effective local management. For example:

- DE expects senior management or executive members of the management body of the applicant and the persons responsible for the internal control functions to be available in-country at any time, without imposing any specific location requirements. Similarly, SK does not have formal residency requirements, but requires the official and real seat to be in SK, and that responsible persons are available at any time to the CA.
- LT considers it best practice to have at least four full-time staff, including a manager, resident locally; these expectations apply mainly to members of the senior management team and in some cases to those responsible for internal control functions, with proportionality applied.
- IE expects board members (excluding group non-executive board members), and C-suite members¹² to have sufficient proximity to the home Member State; flexibility is limited to the Chief Information Officer (CIO) / Chief Technology Officer (CTO) role (where group IT systems will be utilised by the applicant) and the Head of Internal Audit role where this has been outsourced to the group.
- FI expects credible evidence that the company is managed from Finland, such as local language capability and in-person meetings with management, while not imposing residency requirements.
- IT requires some board members to be locally present, assessed on a case-by-case basis.
- PT requires PIs and EMIs to have their main and effective management headquarters in Portugal and expects at least part of the management to be locally based; where board/management members are not resident, PT tests the credibility of "effective management" through operational evidence (e.g., meeting frequency, travel plans, agendas, and mix of staff coming from abroad vs. from Portugal).
- CZ and NO expect some personnel presence (without strict criteria), proportionate to the applicants' size and services.
- BE, DK, EE, HU, and RO require applicants to demonstrate effective direction and control without prescribing specific location rules.

¹² CEO, CFO, CRO, COO, CIO/CTO, Head of Compliance, Head of AML and Head of Internal Audit

128. Other CAs, such as AT, have not established explicit expectations or quantitative criteria, noting that local substance issues have not arisen to date.

129. Other local substance expectations mentioned by several CAs include:

- Headquarters or business premises located in the home Member State, with FI conducting on-site visits before authorisation;
- Ensuring that outsourcing does not result in the applicant becoming an empty shell; and
- Requiring key function holders, including persons in charge of the compliance and risk management function, to have knowledge of national regulations relevant to their role, so that they can effectively discharge their responsibilities.

130. In addition, a few CAs also mentioned:

- Requiring senior management and heads of internal control functions to be on the applicant's payroll (BE, LU);
- Requiring key function holders to speak the local language so as to be able to engage effectively with the CA (ES, FI, RO, LV)¹³.

131. The divergent supervisory approaches observed may be partly explained by differences in how Article 11(3) PSD2 was transposed into national law. In some jurisdictions (e.g., PT), national law goes beyond the generic PSD2 reference to a "head office". For example:

- In PT, national law explicitly requires PIs and EMIs to have their main and effective management headquarters located in the home Member State.
- In BE, national law specifies that the "central administration" should be located domestically.
- In DK, national law sets out the principle that "a PI/EMI must have a registered office and be domiciled in Denmark", with the accompanying explanatory remarks clarifying that this means that "the company must be managed from [Denmark]. This assessment will include, among other things, where the company's management is physically located, where the company's general assembly is held, and where decisions in the company are made".

132. By contrast, in several other jurisdictions, national law mirrors the generic PSD2 wording (referring to the requirement to have the "head office" in the home Member State), without further elaborating what this entails.

133. SE, which had been an outlier in the original peer review, reported that it has since revised its interpretation of the national provisions transposing Article 11(3) PSD2. Previously, SE considered that national law provided no legal basis to require checks on effective direction and control. SE now interprets these provisions as requiring that the central management and control of the PI be effectively exercised in Sweden. In the CA's view, this entails that senior executives take their substantive and commercial decisions concerning the institution's central administration and daily operations in Sweden. SE indicated that, following a recent assessment of an acquisition of a qualifying holding in a PI, it will update its authorisation procedures to include a specific examination of whether actual management and control are

¹³ For example: ES requires executive directors, managers, and the local head of accounting and finance (responsible for financial reporting and prudential supervision interactions) to speak Spanish; FI expects senior management to speak Finnish; LV requires the money laundering reporting officer to speak Latvian; and RO mandates that at least one person responsible for the services in Romania demonstrates knowledge of the Romanian language.

exercised in Sweden. The CA intends to verify this by assessing whether the applicants' human resources in Sweden (covering operational staff, management, and control functions) are adequate for the planned business. To this end, the CA plans to benchmark proposed staffing against already authorised PIs and EMIs, considering business complexity, size, planned cross-border activities, and the level of outsourcing.

7.2 Assessment of applicants' envisaged customer base in the home Member State

134. All CAs, except SE, reported that they check whether applicants intend to provide at least part of their activity in the home Member State by assessing the information in the business plan regarding the target markets and customers. Around half of CAs also review the draft framework contracts and/or the language of the applicant's website. A few CAs also indicated they look at passporting intentions (BG, EL).

135. SE stands apart by not conducting any explicit checks on whether at least a portion of the applicant's activities will be performed in the home Member State, citing the absence of a supporting legal basis under national law. As a result, SE is only partially compliant with the supervisory expectations deriving from Article 11(3) PSD2.

7.3 Conclusions on local substance requirements

136. Most CAs reported that they have implemented measures to ensure applicants demonstrate sufficient local substance: all CAs reported that they verify, at authorisation, effective management and control from the home Member State, and all but SE check the envisaged customer base in the home Member State.

137. However, approaches remain highly divergent. Several CAs apply prescriptive requirements for local presence, such as residency rules for executive directors and heads of control functions, while others adopt more flexible approaches or require only credible assurances without strict location criteria. AT has not established explicit criteria or expectations, citing limited relevance to date.

138. SE has revised its interpretation of national law and plans to strengthen checks on effective management and control but currently remains an outlier in not verifying whether applicants will conduct part of their activities in Sweden.

139. Overall, while progress has been made, divergences in supervisory expectations on local substance persist, creating risks of regulatory arbitrage and forum shopping. Further efforts are needed to promote greater convergence in how CAs assess effective management and control and verify applicants' local presence.

Annex 1. Peer review committee

Peer reviews are carried out by ad hoc peer review committees composed of staff from the EBA and members of competent authorities, and chaired by the EBA staff.

This peer review was carried out by:

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Annex 2. List of Competent Authorities subject to the follow-up peer review

Country	Competent Authority
AT	Austrian Financial Market Authority
BE	National Bank of Belgium
BG	Bulgarian National Bank
CY	Central Bank of Cyprus
CZ	Czech National Bank
DE	Federal Financial Supervisory Authority (BaFin)
DK	Danish Financial Supervisory Authority
EE	Estonian Financial Supervision and Resolution Authority
EL	Bank of Greece
ES	Bank of Spain
FI	Finnish Financial Supervisory Authority
FR	Prudential Supervisory & Resolution Authority (ACPR)
HR	Croatian National Bank
HU	Central Bank of Hungary
IE	Central Bank of Ireland
IT	Bank of Italy
LI	Financial Market Authority Liechtenstein
LT	Bank of Lithuania
LU	Commission for the Supervision of the Financial Sector (CSSF)
LV	Financial and Capital Market Commission (until 01.01.2023); Central Bank of Latvia (from 01.01.2023)
MT	Malta Financial Services Authority (MFSA)
NL	Dutch Central Bank (DNB)
NO	Financial Supervisory Authority of Norway
PL	Polish Financial Supervision Authority (KNF)
PT	Bank of Portugal
RO	National Bank of Romania
SE	Swedish Financial Supervisory Authority
SI	Bank of Slovenia
SK	National Bank of Slovakia



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