



The Central Bank of Ireland
Administrative Sanctions Procedure (ASP)

Settlement Notice

To: BlueSnap Payment Services Ireland Limited (BlueSnap)

Date: 19 November 2024

Part 1 Action

1.1 For the reasons set out in this Settlement Notice, the Central Bank of Ireland is publishing a statement pursuant to Section 33BC(2) of the Central Bank Act 1942 as amended (the **1942 Act**), concerning BlueSnap, for contraventions of the European Union (Payment Services) Regulations 2018 (the **PSR 2018**) between 1 January 2021 and 21 December 2022.

1.2 BlueSnap has agreed to the facts in Part 2 (the **Undisputed Facts**) and admitted the prescribed contraventions in Part 3 of this Settlement Notice, such that further investigation is unnecessary.¹ On this basis, the Central Bank has decided that it is appropriate to impose the following sanctions:

- A reprimand, and

¹ Section 33AR(1)(a)(ii) of the 1942 Act



- A monetary penalty in the amount of €463,200 with the application of a 30% settlement scheme discount bringing the amount to €324,240.

1.3 BlueSnap has agreed to these sanctions,² however, they will not take effect unless they are confirmed by the High Court.³

1.4 Further details on the prescribed contraventions and sanctions are set out in Parts 3 and 4 of this Settlement Notice.

Summary of Reasons for the Central Bank's Action

1.5 BlueSnap is authorised as a payment institution and is regulated under the PSR 2018. BlueSnap was first authorised⁴ by the Central Bank on 23 December 2020, and continued to be authorised during the period of the contraventions. BlueSnap is authorised to provide Payment Service 5 set out in the Schedule to the PSR 2018, which is the “issuing of payment instruments and/or acquiring of payment transactions”. BlueSnap provides “merchant acquiring services” enabling its customers, which are businesses that sell products and services online, to accept payments for products and services sold. When an online sale is made by one of BlueSnap’s customers, BlueSnap should collect the money, hold it securely and then pay it onwards to the customer’s bank account.

1.6 BlueSnap, an Irish entity, is a subsidiary of BlueSnap, Inc., a firm based in the USA. The BlueSnap group enables its customers to accept payments for products and services sold across various currencies in a variety of jurisdictions. Prior to Brexit, a UK subsidiary of BlueSnap, Inc. processed payments on behalf of all EEA-based customers of the BlueSnap group. The BlueSnap group established BlueSnap in Ireland to obtain a payment institution licence in the EEA, so that it could continue to provide payment services to EEA-based customers post-Brexit, i.e. after 31

² BlueSnap has also agreed to dispense with an inquiry.

³ Section 33 AWA of the 1942 Act.

⁴ Regulation 18 of the PSR 2018.



December 2020. BlueSnap's customers are spread across the EEA and are businesses who sell products and services online.

- 1.7 When BlueSnap is providing payment services to its customers, these customers are “**payment service users**” within the meaning of the PSR 2018. Funds that have been received by BlueSnap for these “payment service users” for the execution of payment transactions, are “**users' funds**” within the meaning of the PSR 2018.
- 1.8 The PSR 2018 requires payment institutions to safeguard users' funds by either:
 - Ensuring that users' funds are held in a designated safeguarding account established for the sole purpose of holding user funds, and are not mixed at any time with the firm's own funds or the funds of any person other than the payment service user on whose behalf the funds are held; or
 - Having an insurance policy or comparable guarantee in place for an amount equal to the value of user funds held.
- 1.9 Safeguarding of funds is a key regulatory protection for people who avail of payment services provided by payment institutions. The business model of a payment institution is focused on processing payment transactions on behalf of its customers, which means that a payment institution must have the ability to hold people's money securely for the duration of those transactions. This is particularly important as there is no compensation or deposit protection scheme applicable to the Payment and E-Money sector.
- 1.10 The PSR 2018 also requires payment institutions to inform the Central Bank, without undue delay, of any changes affecting the accuracy of the information provided in their application for authorisation as a payment institution.
- 1.11 The information a firm gives to the Central Bank in its authorisation application is fundamental to whether the Central Bank deems it appropriate to authorise the firm to provide payment services. Applicant firms need to demonstrate that they

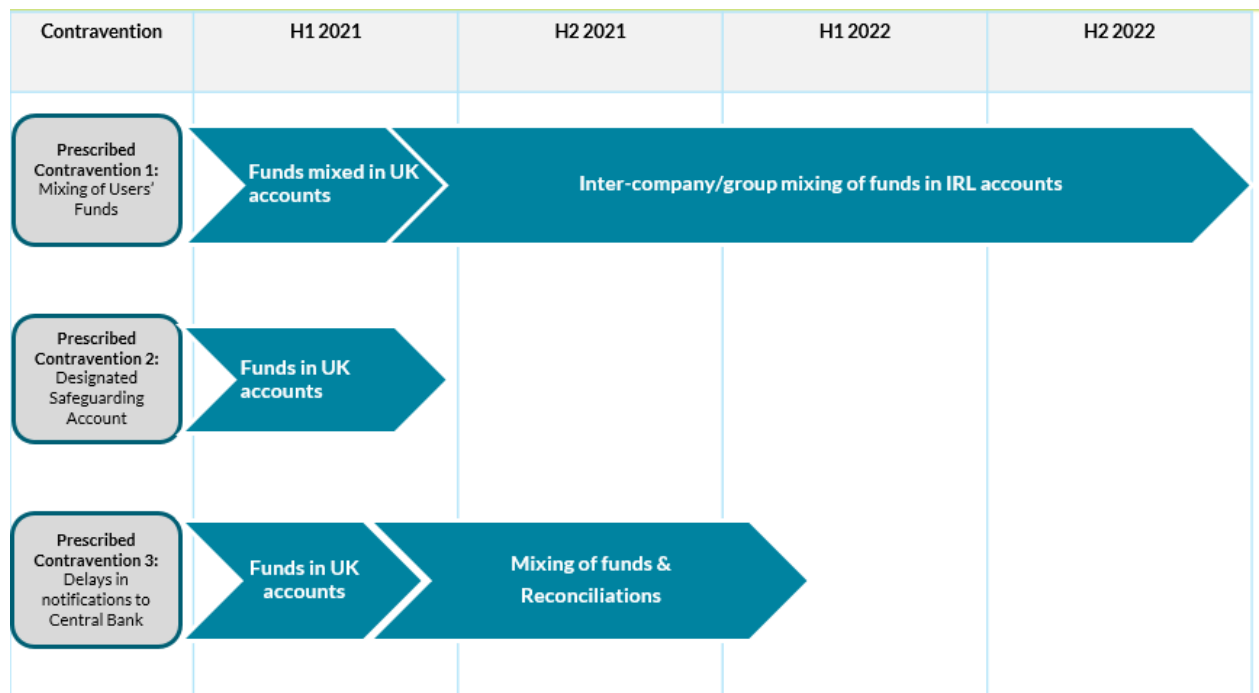


can meet their regulatory obligations and commitments at the point of authorisation and also post-authorisation, when conducting their business as an authorised financial services provider. As such, firms must not only provide accurate information at authorisation, but also must inform the Central Bank of changes to the accuracy of that information, after authorisation.

- 1.12 On 30 April 2021, four months after authorisation, BlueSnap notified the Central Bank that contrary to the PSR 2018, users' funds had not been deposited in BlueSnap's designated safeguarding account, but had instead been deposited in accounts in the UK in the name of another BlueSnap group entity.
- 1.13 Following this notification, there was ongoing supervisory engagement between the Central Bank and BlueSnap regarding this and other safeguarding, governance and regulatory requirements.
- 1.14 On 24 February 2022, BlueSnap informed the Central Bank that: (i) it had not performed external reconciliations daily and that no internal reconciliations of its designated safeguarding account had been performed, and (ii) it had allowed customers' funds from other entities in the BlueSnap group to be processed through BlueSnap's designated safeguarding account in Ireland.
- 1.15 Based on all of these notifications and supervisory engagement, the Central Bank had concerns that breaches of the PSR 2018 may have occurred.
- 1.16 The Central Bank's investigation found that BlueSnap failed to comply with the PSR 2018 by:
- allowing users' funds to be mixed with non-users' funds, between 1 January 2021 and 21 December 2022 (**Prescribed Contravention 1**);
 - failing to deposit users' funds in its designated safeguarding account, between 1 January 2021 and 1 June 2021 (**Prescribed Contravention 2**); and



- failing, on dates between 20 January 2021 and 23 February 2022, to notify the Central Bank without undue delay that, contrary to what was stated in BlueSnap’s application for authorisation:
 - users’ funds were mixed with non-users’ funds;
 - users’ funds were not deposited in BlueSnap’s designated safeguarding account in Ireland; and
 - BlueSnap’s designated safeguarding account was not reconciled in the manner set out in its application for authorisation (**Prescribed Contravention 3**).





Part 2 Undisputed Facts

In this Settlement Notice:

“BlueSnap” or “BPSIL” refers to BlueSnap Payment Services Ireland Limited, an Irish entity authorised by the Central Bank.

“BlueSnap’s Bank” refers to the credit institution chosen by BlueSnap to operate BlueSnap’s Designated Safeguarding Account.

“BlueSnap’s Designated Safeguarding Account” refers to any or all of the 14 segregated bank accounts listed in the signed segregation letter from BlueSnap’s Bank dated 30 December 2020.

“BlueSnap Group” refers to BlueSnap, Inc. and its subsidiaries, which includes BlueSnap and BlueSnap UK.

“BlueSnap, Inc.” refers to the parent company of BlueSnap and BlueSnap UK, headquartered in the USA.

“BlueSnap UK” refers to BlueSnap Payment Services Limited, a UK entity authorised by the Financial Conduct Authority.

“KYC” refers to “know your client”, and the KYC process is used by firms to verify their clients and their risk and financial profiles in order to protect firms against fraud, corruption, money laundering and terrorist financing.

“PSR 2018” refers to the European Union (Payment Services) Regulations 2018 [S.I. No.6 of 2018].

“RMP” or “Risk Mitigation Programme” refers to a document issued to a firm by the Central Bank, setting out (i) remedial actions a firm must take in relation to specified risks that have been identified by the Central Bank; and (ii) the deadline for doing so.

“Safeguarding Audit Report” refers to the first phase of the report prepared by an independent auditor dated 3 December 2021, submitted to the Central Bank on 24 February 2022.



“User” refers to any customers of BlueSnap (Irish entity) contracted to use its payment services (in the capacity of being a payer, payee, or both), also referred to as a “payment service user” in the PSR 2018.

Safeguarding Requirements in the PSR 2018

- 2.1 Regulation 17(2)(a)(i) of the PSR 2018 requires payment institutions to safeguard users’ funds by ensuring that users’ funds are not mixed with other funds.
- 2.2 Regulation 17(2)(a)(ii) of the PSR 2018 requires payment institutions to safeguard users’ funds by ensuring that users’ funds are held in a designated safeguarding account.

BlueSnap’s Application for Authorisation

- 2.3 In accordance with Regulation 7 of the PSR 2018, an application to the Central Bank for authorisation as a payment institution shall contain “...a description of the measures taken, in accordance with Regulation 17, to safeguard payment service users’ funds.”
- 2.4 On 14 December 2020, BlueSnap submitted documents to the Central Bank as part of its application for authorisation. One of these documents, “Measures to Safeguard the Funds of Payment Service Users,” outlined the steps BlueSnap would take to safeguard Users’ funds, including that:
 - BlueSnap would safeguard Users’ funds by holding them in separate segregated bank accounts with a bank authorised in the EEA (i.e. BlueSnap’s Designated Safeguarding Account);
 - BlueSnap’s Designated Safeguarding Account was to be opened in a bank located in Ireland;
 - All funds received in respect of payment transactions would be segregated from all other BlueSnap funds until payment was made to the recipient to settle the transaction. The only funds to be held in BlueSnap’s Designated



Safeguarding Account were payment transactions received that were yet to be paid out; and

- Funds would be reconciled daily whereby outstanding payments for each User would be compared with the balance on the bank statement in BlueSnap's Designated Safeguarding Account.

2.5 Regulation 27 of the PSR 2018 requires payment institutions to inform the Central Bank, without undue delay, of any changes affecting the accuracy of the information provided in their application for authorisation as a payment institution. Therefore, any changes in relation to the above safeguarding measures should have been notified to the Central Bank without delay.

Authorisation Granted Subject to Safeguarding Condition

2.6 On 23 December 2020, BlueSnap was authorised as a payment institution by the Central Bank. The authorisation was subject to certain conditions and requirements, one of which required BlueSnap to provide evidence that a designated, segregated account had been opened.

2.7 On 30 December 2020, BlueSnap's Bank wrote to BlueSnap confirming the segregated bank accounts (i.e. BlueSnap's Designated Safeguarding Account) had been established, with an appendix listing the 14 segregated bank accounts.

Transfer of EEA Merchants from BlueSnap UK to BlueSnap

2.8 According to minutes of a meeting of the board of directors of BlueSnap on 30 December 2020, the BlueSnap Group established BlueSnap and sought authorisation of BlueSnap as a payment institution from the Central Bank, in response to Brexit. The minutes further set out that the intention was for BlueSnap to take over the provision of payment services to BlueSnap UK's EEA-based customers (also referred to as merchants) and the relevant merchant agreements from 12am on 1 January 2021.



- 2.9 On 30 December 2020 (the same day), BlueSnap’s legal advisors notified the Central Bank that BlueSnap UK’s EEA book of business was being transferred to BlueSnap, that the transfer would take place on 31 December 2020, and that BlueSnap would provide payment services to merchants from 1 January 2021.
- 2.10 By Deed of Assignment dated 31 December 2020, BlueSnap UK assigned the relevant merchant agreements to BlueSnap, effective from 12am on 1 January 2021.

BlueSnap’s Evidence of Compliance with Safeguarding Condition

- 2.11 On 31 December 2020, BlueSnap’s legal advisors sent an email to the Central Bank attaching the letter from BlueSnap’s Bank confirming that BlueSnap’s Designated Safeguarding Account had been established. The Central Bank responded on the same day confirming that BlueSnap could commence providing regulated payment services.

BlueSnap’s Designated Safeguarding Account was not Operational

- 2.12 As set out above, the PSR 2018 requires payment institutions to safeguard users’ funds by ensuring that users’ funds are held in a designated safeguarding account.
- 2.13 Although BlueSnap’s Designated Safeguarding Account was open on 31 December 2020, it was not operational and BlueSnap’s Users’ funds were not deposited in the account from 1 January 2021, for the reasons set out below. Instead, Users’ funds were deposited in BlueSnap UK’s accounts and mixed with non-Users’ funds, i.e. the funds of BlueSnap UK’s customers, between 1 January 2021 and 1 June 2021.
- 2.14 On 4 January 2021, internal emails within the BlueSnap Group noted that BlueSnap’s Designated Safeguarding Account was currently blocked by BlueSnap’s Bank until the KYC process was completed.
- 2.15 By email dated 20 January 2021, a director of BlueSnap queried with BlueSnap Group’s merchant payouts team whether BlueSnap was paying its EU merchants



from the UK and whether that would continue to be the case. The merchant payouts team informed them that merchants were being paid “*out of the UK*” but that “*in the near future, non-UK merchants will be paid out Ireland bank [sic]*”, i.e. BlueSnap’s Designated Safeguarding Account.

- 2.16 On 2 February 2021, in response to a question from the Central Bank, BlueSnap confirmed by email that its EEA book of business had been transferred from BlueSnap UK to BlueSnap on 31 December 2020.
- 2.17 On 10 February 2021, another email was sent from the same director of BlueSnap to the merchant payouts team (further to the email set out at paragraph 2.15 above) seeking an update on the email of 20 January 2021. The merchant payouts team responded on 16 February 2021, indicating that the estimated completion time for the migration of EEA merchants was March 2021.
- 2.18 BlueSnap’s Designated Safeguarding Account was still not operational on 11 February 2021. Another director of BlueSnap emailed BlueSnap’s Bank on that date enquiring when the segregated accounts would be unblocked.
- 2.19 A BlueSnap board meeting was held on 25 February 2021 at which there was no reference in the minutes of the meeting to any update to the board in relation to BlueSnap’s Designated Safeguarding Account being non-operational.
- 2.20 PowerPoint slides for the board meeting held on 25 February 2021 contain no reference to the fact that BlueSnap’s Designated Safeguarding Account was not operational.
- 2.21 On 8 March 2021, a director of BlueSnap emailed BlueSnap’s Bank seeking an update on the status of BlueSnap’s Designated Safeguarding Account. On 18 March 2021, the BlueSnap Group emailed BlueSnap’s Bank again, copying the same director, seeking an update on the status of BlueSnap’s Designated Safeguarding Account.



- 2.22 The BlueSnap board had four advisors from the BlueSnap Group, who were senior members of the BlueSnap Group and reported to the BlueSnap board on issues arising from BlueSnap Group senior management forums and any steps that needed to be taken to address such issues. By email dated 19 March 2021, all four of these advisors were invited to a meeting with BlueSnap’s Bank to discuss the required KYC due diligence for BlueSnap’s Designated Safeguarding Account, which was still not operational.
- 2.23 On 25 March 2021, BlueSnap’s Bank informed the BlueSnap Group that “*the blocks*” (i.e. the impediments to using the account) had been removed from BlueSnap’s Designated Safeguarding Account.
- 2.24 On 16 April 2021, an internal BlueSnap Group email was circulated (one recipient was an advisor to the BlueSnap board with another advisor copied) confirming that funding was going into BlueSnap’s Designated Safeguarding Account and attaching bank statements from BlueSnap’s Bank showing credit transactions going into BlueSnap’s Designated Safeguarding Account.
- 2.25 By email dated 26 April 2021, another director at BlueSnap, was informed by the BlueSnap Group that BlueSnap’s Designated Safeguarding Account(s) were open when BlueSnap received its licence from the Central Bank but were not operational until Q2 when BlueSnap’s Bank completed their KYC checks. The email went on to say that “*there were transactions in the EU during Q1, but funds from those transactions were safeguarded in the accounts in the UK and paid out of the UK.*” On a related email chain, this director stated that this would need to be reported to the Central Bank and the board of BlueSnap promptly.
- 2.26 On 27 April 2021, a director of BlueSnap received an email from the BlueSnap Group with a draft summary document setting out what happened with BlueSnap’s Designated Safeguarding Account, including details of when the accounts were opened, operational, segregated and able to pay out.



- 2.27 On 30 April 2021, a BlueSnap director emailed the Central Bank notifying it of the issues with BlueSnap’s Designated Safeguarding Account. The email noted that while the accounts were opened in December 2020, they did not become operational until March 2021 when BlueSnap’s Bank had completed a complex KYC process. It went on to note that when BlueSnap had received confirmation that the accounts were open, it had not anticipated the delay in the accounts subsequently becoming operational. The email also stated that in the period between December 2020 and March 2021 Users’ funds were safeguarded in accounts in the UK in the name of BlueSnap UK. The email acknowledged that this was not in accordance with the requirements of the PSR 2018.
- 2.28 The Central Bank was not informed of the issues with BlueSnap’s Designated Safeguarding Account until 30 April 2021. In accordance with its obligations under Regulation 27 of the PSR 2018, BlueSnap should have notified the Central Bank of any change to the information provided in BlueSnap’s application for authorisation, i.e. that Users’ funds were not being deposited in BlueSnap’s Designated Safeguarding Account, without undue delay.
- 2.29 On 5 May 2021, BlueSnap responded to a number of queries from the Central Bank by email stating that the potential safeguarding issue was identified on 26 April 2021 and the matter was subsequently reported to the Central Bank on 30 April 2021. The email stated that the operational implementation of the accounts was managed at group level and that BlueSnap was not aware that the accounts were blocked pending completion of KYC. The email further noted that the matter was not brought to the attention of BlueSnap or to attention of the BlueSnap board and, therefore, was not signed off by the BlueSnap board. However, based on the correspondence outlined above, two BlueSnap directors were, in fact, aware of the issues with BlueSnap’s Designated Safeguarding Account from January and February 2021, respectively. The email went on to note that BlueSnap’s Designated Safeguarding Account became operational on 26 March 2021 and that



62% of all Users had been migrated at that date, with an anticipated completion date of 31 May 2021 for all Users.

- 2.30 A BlueSnap board meeting was held on 19 May 2021. An advisor from the BlueSnap Group updated the board on an EU merchant migration plan which had been put in place to address the breach of the PSR 2018 and also confirmed that new accounts opened since March 2021 had been processed through BlueSnap's Designated Safeguarding Account in accordance with the requirements of the PSR 2018. A BlueSnap director informed the board that details of the breach of the PSR 2018 had been brought to the attention of the Central Bank on 30 April 2021. This director also informed the board of BlueSnap's oversight failings and the deficiencies in regulatory awareness and communication lines in the BlueSnap Group that had given rise to the breach and to the undue delay in reporting the matter to the Central Bank. The director also outlined the steps which had already been discussed among the board to ensure that such a failure in communication did not re-occur.
- 2.31 On 24 May 2021, BlueSnap responded to various queries from the Central Bank and confirmed that the migration of Users was due to complete by 31 May 2021.
- 2.32 On 2 June 2021, an advisor to BlueSnap from the BlueSnap Group sent the BlueSnap board an email indicating that the migration of all EEA merchants was complete. On the same date, BlueSnap emailed the Central Bank to confirm that all EEA merchants had been migrated to BlueSnap's Designated Safeguarding Account and payment services for all Users were now being provided by BlueSnap.
- 2.33 Based on the information set out above, between 1 January 2021 and 1 June 2021, Users' funds were not being deposited in BlueSnap's Designated Safeguarding Account, which was in breach of Regulation 17(2)(a)(ii) of the PSR 2018.⁵

⁵ Contravention 2.



Additional Safeguarding Issues - Users' Funds Were Mixed

- 2.34 As set out above, the PSR 2018 requires payment institutions to safeguard users' funds by ensuring that users' funds are not mixed with other funds.
- 2.35 During the period that BlueSnap's Designated Safeguarding Account was not operational (i.e. from 1 January 2021 to 1 June 2021), Users' funds were deposited in BlueSnap UK's accounts and mixed with non-Users' funds, i.e. the funds of BlueSnap UK's customers. On this basis, between 1 January 2021 and 1 June 2021, BlueSnap allowed Users' funds to be mixed with non-Users' funds, in breach of Regulation 17(2)(a)(i) of the PSR 2018.
- 2.36 Furthermore, after BlueSnap's Designated Safeguarding Account became operational and the migration of EEA merchants to BlueSnap was complete, BlueSnap continued to mix Users' funds with non-Users' funds due to inter-company arrangements, as set out in paragraph 2.48 below. BlueSnap confirmed to the Central Bank eighteen months later, on 21 December 2022, that this inter-company co-mingling of funds had ceased.

Independent Safeguarding Audit

- 2.37 In July 2021, BlueSnap sought a proposal from an independent auditor to provide an independent assessment of BlueSnap's safeguarding framework, including the effectiveness of controls designed to ensure compliance with the safeguarding regulations, i.e. a safeguarding audit.⁶
- 2.38 On 28 July 2021, when considering the appointment of the independent auditor to conduct a safeguarding audit of BlueSnap, the board was provided with BlueSnap's own internal assessment of seven areas of safeguarding compliance that the independent auditor would be reviewing, including BlueSnap's observations that:

⁶ The proposal was received by BlueSnap on 15 July 2021.



- No internal reconciliations were being performed by BlueSnap.
- External reconciliations were not always performed on a daily basis.
- BlueSnap had no cash liability accounting record at a customer level.

2.39 Safeguarding training slides had been previously distributed by BlueSnap to the BlueSnap Group on 24 June 2021, which noted that the daily reconciliation process described in the “Measures to Safeguard the Funds of Payment Service Users” document (provided by BlueSnap in its application for authorisation), required both internal and external reconciliation.

2.40 The practices noted in BlueSnap’s observations on 28 July 2021 were not in accordance with the reconciliation process described in the “Measures to Safeguard the Funds of Payment Service Users”, as set out at paragraph 2.4 above. Any change in the information provided by BlueSnap in its application for authorisation should have been notified to the Central Bank without undue delay.

2.41 On 4 September 2021, BlueSnap formally engaged an independent auditor to undertake an independent third party review of safeguarding at BlueSnap (the **Safeguarding Audit**).

2.42 On 20 September 2021, a presentation entitled “*Reconciliations and Safeguarding – Proposed Project Approach*” was distributed internally in BlueSnap. The presentation acknowledged that BlueSnap had arrangements in place that allowed funds from other entities in the BlueSnap Group to be processed through BlueSnap’s Designated Safeguarding Account, which resulted in co-mingling of funds. It described the challenges with the “current process” that was in place as follows: “*Inter company funding is not optimized - Co mingling of funds between [BlueSnap Group] and Merchants, and between [BlueSnap Group] Legal Entities should be minimized*”. This was contrary to what had been set out in BlueSnap’s application for authorisation. Any change in the information provided by BlueSnap in its



application for authorisation should have been notified to the Central Bank without undue delay.

- 2.43 A subsequent remediation plan circulated internally in BlueSnap on 6 October 2021 noted that reconciliations were not being carried out by BlueSnap on a daily basis.
- 2.44 A draft of the Safeguarding Audit Report was received by BlueSnap on 11 October 2021. In an internal email circulated later that day, a BlueSnap senior manager stated that the report largely aligned with BlueSnap's own observations from 28 July 2021 (see paragraph 2.38).
- 2.45 On 9 November 2021, an email was sent internally within BlueSnap stating that the Safeguarding Audit Report was nearing completion and was to be sent to the board and the Central Bank the following week. However, the Safeguarding Audit Report, or a summary of its provisional findings, was not submitted to the Central Bank until 24 February 2022, as set out at paragraph 2.55 below.
- 2.46 At a board meeting held on 1 December 2021, it was noted that action was required relating to BlueSnap's reconciliation, safeguarding, and books and records processes and that the audit results would be submitted to the Central Bank.
- 2.47 On 2 December 2021, the Central Bank issued a draft RMP to BlueSnap relating to safeguarding and governance, together with a cover letter. The outcomes sought from the draft RMP were that:
- BlueSnap's board would ensure that effective safeguarding processes were put in place to comply with BlueSnap's safeguarding requirements under the PSR 2018.
 - BlueSnap would have adequate governance arrangements and internal control mechanisms in place.



- BlueSnap’s board and senior management team would have full ownership and oversight over all key strategic decisions.

2.48 The Safeguarding Audit Report was finalised on 3 December 2021. The report found that BlueSnap allowed funds from other entities in the BlueSnap Group to be processed through BlueSnap’s Designated Safeguarding Account, therefore failing to ensure that Users’ funds were not mixed with non-Users’ funds. The Safeguarding Audit Report outlined that BlueSnap had bespoke arrangements in place with a number of merchants which allowed Users’ funds to be paid cross-border in any specified currency via any BlueSnap Group entity. It also noted that there were no contracts between the BlueSnap Group entities detailing how the funds were to be paid out by different parties.

2.49 The Safeguarding Audit Report also found that BlueSnap did not perform an internal reconciliation, and that it did not perform an external reconciliation on a daily basis, in line with BlueSnap’s observations on 28 July 2021, and contrary to what BlueSnap stated it would do in its application for authorisation. The Safeguarding Audit Report stated that it was “*not clear whether [BlueSnap’s] books and records and the bank statements are completely independent of each other when performing the external reconciliations*”.

2.50 Furthermore, the Safeguarding Audit Report noted that it was not clear how BlueSnap was able to distinguish at any given time and in a timely manner, the total amount of Users’ funds held both at a firm level and at an individual User level.

2.51 The Safeguarding Audit Report stated that in circumstances where they are unable to identify the merchant entitled to the funds it has received, BlueSnap could not articulate or evidence what procedures were undertaken to identify who the funds related to and how these funds were identified within BlueSnap’s own books and records as unallocated funds. As BlueSnap was unable to distinguish Users’ funds held at a customer/merchant level, it would not have been able to ensure that Users’ funds would remain in BlueSnap’s Designated Safeguarding Account until



such time as they are paid to the relevant User, as set out in BlueSnap's application for authorisation (see paragraph 2.4 above).

2.52 Reconciliations are an essential part of safeguarding of users' funds and are necessary to meet the requirements of Regulation 17 of the PSR 2018. BlueSnap acknowledged this in the "Measures to Safeguard the Funds of Payment Service Users" document provided by BlueSnap in its application for authorisation. In that document, BlueSnap noted that the reconciliation of Users' funds is a key area and it provided information on BlueSnap's policy and procedure in respect of the treatment and reconciliation of Users' funds.

Provision of the Safeguarding Audit Report to the Central Bank

2.53 On 16 December 2021, BlueSnap wrote to the Central Bank to advise that it had appointed an independent third party to carry out the Safeguarding Audit and that this work was being split into a number of phases, but did not enclose a copy of the Safeguarding Audit Report at that time.

2.54 On 26 January 2022, the Central Bank issued the final RMP relating to safeguarding and governance, and also imposed separate supervisory measures on BlueSnap. As a result, BlueSnap was required to undertake a third-party review of safeguarding (as noted above, the Safeguarding Audit was already underway); hold an additional 20% of its own funds under Section 16(a) of the PSR 2018; and have a third-party review the effectiveness of BlueSnap's internal controls and governance structures.

2.55 By letter dated 24 February 2022, BlueSnap responded to the RMP issued by the Central Bank and stated that it wanted to take the opportunity to update the Central Bank in respect of the independent auditor's work. The letter explained that phase 1 of the Safeguarding Audit, whereby the independent auditor carried out an initial review of BlueSnap's current safeguarding processes and controls, was now complete and the BlueSnap board was now sharing a copy of the



Safeguarding Audit Report with the Central Bank. The letter noted that the report identified safeguarding deficiencies and recommended key remediation measures required to be taken by BlueSnap to rectify these, and noted that one of the key findings of the Safeguarding Audit Report was the need to enhance BlueSnap's accounting and reconciliation processes to meet the segregation requirements of the PSR 2018.

Actions Taken Following the Safeguarding Audit Report

- 2.56 A regional payout project was commenced by BlueSnap to separate funds accordingly, i.e. to resolve the co-mingling issue (the **Regional Payout Project**). The aim of the Regional Payout Project was to ensure that monies due to BlueSnap were paid to BlueSnap only, whilst also ensuring that merchants' payments due from BlueSnap were paid directly from BlueSnap's Designated Safeguarding Account only.
- 2.57 At a BlueSnap board meeting held on 23 March 2022, it was emphasised that completion of a safeguarding remediation plan was contingent on completion of the Regional Payout Project. The board was informed that upon completion of the project, the legal entity that processed the payment would also pay out the funds to the merchant.
- 2.58 At a BlueSnap board meeting held on 20 April 2022, a brief summary of a discussion between BlueSnap and the Central Bank was provided to the board. This summary included that the Central Bank had stressed that BlueSnap must notify them without delay should any compliance issue be identified and that the Safeguarding Audit Report should have been shared with the Central Bank earlier. It was also noted that BlueSnap had apologised that the Safeguarding Audit Report had not been shared more promptly and assured the Central Bank that breaches or other significant issues would be shared more promptly in the future.



Users' Funds Continued to be Mixed

- 2.59 In a letter to the Central Bank dated 22 April 2022, BlueSnap outlined that the board was of the view that Users' funds were being co-mingled with non-Users' funds, in circumstances where BlueSnap makes a pay-out to merchant customers of other BlueSnap entities via BlueSnap's Designated Safeguarding Account, i.e. that Users' fund were being mixed with non-Users' funds in BlueSnap's Designated Safeguarding Account.
- 2.60 On 30 May 2022, BlueSnap informed the Central Bank by email that co-mingling was still taking place, but that the Regional Payout Project had been put in place to resolve the issue.
- 2.61 On 19 July 2022, BlueSnap informed the Central Bank that improvements had been made to its reconciliation process, with the use of an internal reconciliation solution to be used until BlueSnap's new automated system was in place.
- 2.62 On 21 December 2022, BlueSnap informed the Central Bank that all Users had been successfully migrated to the Regional Payout system and that BlueSnap management were satisfied that inter-company co-mingling of funds had been eliminated with the delivery of the Regional Payout system, i.e. that it had ceased mixing Users' funds with non-Users' funds.
- 2.63 Based on the information set out above, up until 21 December 2022, BlueSnap allowed Users' funds to be mixed with non-Users' funds. Taking into account the period prior to when BlueSnap's Designated Safeguarding Account became operational (see paragraph 2.35 above), Users' funds were mixed with non-Users' funds, in breach of Regulation 17(2)(a)(i) of the PSR 2018, between 1 January 2021 and 21 December 2022.⁷

⁷ Contravention 1.



Delays in Informing the Central Bank of Changes to the Information Provided at Authorisation

- 2.64 As set out at paragraph 2.28 above, the Central Bank was not informed of the issues with BlueSnap's Designated Safeguarding Account until 30 April 2021, although BlueSnap was aware of these issues from January 2021.
- 2.65 As set out above at paragraph 2.55, BlueSnap submitted the Safeguarding Audit Report to the Central Bank on 24 February 2022 and this report identified a number of additional safeguarding issues relating to reconciliations and co-mingling. Based on the facts set out above, BlueSnap had been aware of these issues since July and September 2021, respectively.
- 2.66 In accordance with its obligations under Regulation 27 of the PSR 2018, BlueSnap should have notified the Central Bank without undue delay of these changes to the information provided in BlueSnap's application for authorisation, i.e. that BlueSnap's Designated Safeguarding Account was not being used, that Users' funds were being mixed with non-Users' funds; and that reconciliations were not taking place in the manner set out in BlueSnap's application for authorisation.
- 2.67 Based on the information set out above, there was undue delay by BlueSnap in notifying the Central Bank of changes to the information provided in BlueSnap's application for authorisation in breach of Regulation 27 of the PSR 2018.⁸

⁸ Contravention 3.



Part 3 Prescribed Contraventions

3.1 BlueSnap has admitted to the prescribed contraventions at paragraphs 3.5 to 3.7 below.

3.2 The entirety of the PSR 2018 is listed as a designated statutory instrument within the meaning of Section 33AN of the 1942 Act.⁹ Accordingly, contraventions of Regulation 17 and Regulation 27 of the PSR 2018 are “prescribed contraventions” for the purposes of Section 33AN and Part IIIC of the 1942 Act.

3.3 Regulations 17 (2)(a)(i) and (ii) of the PSR 2018 provide as follows:-

“user’s funds –

(i) shall not be mixed at any time with the funds of any person other than the payment service user on whose behalf the funds are held

(ii) where the funds are still held by the payment institution and not yet delivered to the payee or transferred to another payment service provider by the end of the business day after the day of receipt, shall be deposited in a separate account in a credit institution or invested in assets designated or approved by the Central Bank for the purpose of these Regulations...”

3.4 Regulation 27 of the PSR 2018 provides as follows:

“Where (a) any change affects the accuracy of the information or evidence provided by a payment institution under Regulation 7, and (b) the State is the home Member State of the payment institution, the payment institution shall, without undue delay, inform the Bank accordingly”.

⁹ See Schedule 2 Part 2 Item 71 of the 1942 Act.



Prescribed Contravention 1

- 3.5 Between 1 January 2021 and 21 December 2022, BlueSnap contravened Regulation 17(2)(a)(i) of the PSR 2018 by allowing Users' funds to be mixed with non-Users' funds.

Prescribed Contravention 2

- 3.6 Between 1 January 2021 and 1 June 2021, BlueSnap contravened Regulation 17(2)(a)(ii) of the PSR 2018 by failing to deposit Users' funds in BlueSnap's Designated Safeguarding Account.

Prescribed Contravention 3

- 3.7 On specified dates between 20 January 2021 and 23 February 2022, BlueSnap contravened Regulation 27 of the PSR 2018 as a result of its undue delay in notifying the Central Bank of changes affecting the accuracy of information which BlueSnap had provided in its application for authorisation in that:

- Users' funds were mixed with non-Users' funds, contrary to what was stated in BlueSnap's application for authorisation (relevant time period: 20 September 2021 – 23 February 2022).
- Users' funds were not deposited in BlueSnap's Designated Safeguarding Account in Ireland, contrary to what was stated in BlueSnap's application for authorisation (relevant time period: 20 January 2021 – 30 April 2021).
- BlueSnap's Designated Safeguarding Account was not reconciled in the manner set out in BlueSnap's application for authorisation (relevant time period: 28 July 2021 – 23 February 2022).



Part 4 Sanction

- 4.1 The Central Bank believes that the prescribed contraventions admitted by BlueSnap warrant the imposition of a sanction.
- 4.2 The Central Bank's approach to the determination of sanctions under the ASP is set out in Part 6 of the Administrative Sanctions Procedure Guidelines 2023 (the **ASP Guidelines**). Having considered all of the available sanctions relevant to a firm as provided in section 33AQ (3) of the 1942 Act, the prescribed contraventions and the Undisputed Facts, the Central Bank has determined that a combination of a **reprimand and a monetary penalty in the amount of €463,200 (the application of a 30% settlement scheme discount will bring the monetary penalty to €324,240)** represents a proportionate sanction in the totality of the circumstances. Further details on how the monetary penalty was assessed are set out below.

Determination of the Sanction

The monetary penalty

- 4.3 The Central Bank followed the steps outlined in Part 6 of the ASP Guidelines in determining an appropriate monetary penalty:
- Step 1 – Consider starting point figure*
- 4.4 The Central Bank can impose a monetary penalty up to a maximum of either 10% of BlueSnap's annual turnover for the last complete financial year or €10 million, whichever figure is greater. Based on the financial position of BlueSnap, the maximum penalty that could be imposed in this case is €10 million.
- 4.5 The Central Bank considers that the appropriate starting point for the calculation of the monetary penalty is BlueSnap's turnover for an average 12 month period.



- 4.6 BlueSnap was authorised in late December 2020, as part of its parent's post-Brexit strategy and began operations in January 2021. Activities previously carried out by other group entities began to move to BlueSnap during 2021.
- 4.7 For this reason, the 12-month average is derived from the total turnover of BlueSnap for 2022-2023, being the two complete financial years prior to the settlement. The Central Bank considers this to be a proportionate starting point, as the prescribed contraventions were relevant to the entire firm.

When rounded, the Starting Point Figure is €7,720,000.

Step 2 - Identify and apply the severity level

- 4.8 With reference to Table 2 (Nature Seriousness and Effect Factors) of the ASP Guidelines,¹⁰ the Central Bank considers the following sanctioning factors as relevant in the assessment of the severity level to apply:
- **The prescribed contravention was reckless:** BlueSnap acted in a reckless manner by:
 1. Allowing the co-mingling of Users' funds with non-Users' funds in breach of the safeguarding requirements of the PSR 2018 (Prescribed Contravention 1).
 2. Providing regulated payment services to Users, knowing that BlueSnap's Designated Safeguarding Account was not operational and that Users' funds were being deposited and paid out of the BlueSnap UK account (Prescribed Contravention 2).
 3. Delaying notifying the Central Bank when it knew the information it provided at authorisation had changed (Prescribed Contravention 3).
 - **The duration of the prescribed contravention:** As a result of BlueSnap's safeguarding failures, Users' funds were not held in a designated safeguarding account for a period of five months and Users' funds were mixed with non-

¹⁰ Paragraph 374 of the ASP Guidelines.



Users' funds for a period of two years. Furthermore, there was undue delay in BlueSnap notifying the Central Bank in respect of:

- Users' funds being mixed with non-Users' funds which was not notified to the Central Bank for a period of five months.
 - Users' funds not being deposited in a designated safeguarding account which was not notified to the Central Bank for a period of three months.
 - The reconciliation issues which were not notified to the Central Bank for a period of seven months.
- **There was more than one prescribed contravention:** There are three prescribed contraventions.
 - **The extent to which BlueSnap departed from any standard to which it is subject:** Safeguarding is a key regulatory protection for customers of payment institutions and it is particularly important as there is no compensation or deposit protection scheme applicable to the Payment and E-Money sector. The Central Bank took the following into account when considering this sanctioning factor:
 1. The Central Bank has issued communications to payment and e-money institutions in relation to supervisory expectations, including a [Dear CEO Letter](#) dated 9 December 2021, which was at a time when breaches at BlueSnap remained ongoing. A key focus of that letter was the expectations on firms in relation to their safeguarding risk frameworks.
 2. BlueSnap set out in its application for authorisation the measures it would take to safeguard Users' funds. These included depositing Users' funds in a designated safeguarding account, ensuring Users' funds would be segregated from other BlueSnap funds and how it would reconcile BlueSnap's Designated Safeguarding Account.
 3. The integrity and accuracy of information provided to the Central Bank underpins the Central Bank's decision to authorise a firm. What a firm tells the Central Bank at authorisation is key to whether the Central Bank deems it appropriate that the firm be authorised to provide the relevant



services. As noted by the Central Bank in [recent remarks to the Payment and E-Money sector](#), “*at point of entry, we have a gatekeeping mandate to ensure that those who are given access to the wider European market have done the necessary planning to ensure a well-governed and sustainable firm which can adequately safeguard other people’s money, protect itself against the risk of financial crime and be a constructive actor in the system*”.

In this case, BlueSnap departed from the standards expected of payment institutions, and the standards which it set for itself in its application for authorisation. Accordingly, this increases the seriousness of the prescribed contraventions.

- **The potential impact of the prescribed contraventions on the orderliness of the financial markets, including whether public confidence in those markets has been damaged or put at risk:** BlueSnap’s safeguarding failings could potentially affect public confidence in the financial markets and the Payment and E-Money sector, in particular if there is uncertainty that users’ money is being adequately safeguarded by Payment and E-Money Institutions.
- **The potential loss or detriment caused as a result of the prescribed contravention to consumers:** While there was no evidence of actual consumer / user detriment being realised in this case, there was potential loss or detriment. The Central Bank considers the safeguarding of customer funds to be a key regulatory protection for customers who avail of payment services given the potential for consumer detriment if a firm has not adequately safeguarded customer funds.

4.9 Payment institutions are authorised to hold and transfer people’s money, and any failure to safeguard this money can lead to a risk of funds not being fully or promptly returned in a wind down scenario. In this case, BlueSnap’s failure to comply with the safeguarding requirements of the PSR 2018 exposed its customers to significant risk given the overarching objective of safeguarding is to protect users’ funds pending a payment being made and ensure that if a firm



becomes insolvent, funds are available to be returned fully and promptly to a payment institution's customers.

- 4.10 Having considered these factors, the Central Bank deemed that the **correct severity level to apply is 6 on a scale of 1 - 10**. This corresponds with 6% of the Starting Point Figure, i.e. 6% of €7,720,000 is €463,200.

The Base Monetary Penalty is €463,200.

Step 3 – Consider aggravating or mitigating factors

- 4.11 The Central Bank is satisfied, having reviewed the factors set out in Table 3 (Conduct Factors) and Table 4 (Previous Record Factors) of the ASP Guidelines, that there are no mitigating factors which would warrant a decrease to the Base Monetary Penalty, nor are there any aggravating factors which would warrant an increase to the Base Monetary Penalty. BlueSnap provided the expected level of cooperation with the Central Bank's investigation which is treated as a neutral factor that neither aggravates nor mitigates BlueSnap's conduct.

The Base Monetary Penalty remains at €463,200.

Step 4 – Consider any further adjustment

- 4.12 The Central Bank then considered if the Base Monetary Penalty needs to be adjusted by reference to the factors in Table 5 (Other Relevant Considerations) of the ASP Guidelines. The Central Bank does not consider any further factor as relevant.

The Base Monetary Penalty remains at €463,200.

Step 5 – Consider whether any maximum penalty adjustment is required

- 4.13 The Central Bank can impose a monetary penalty up to a maximum of either 10% of BlueSnap's annual turnover for the last complete financial year or €10 million, whichever figure is greater. Based on the financial position of BlueSnap, the maximum penalty that could be imposed in this case is €10 million.



- 4.14 As the figure proposed at Step 4 does not exceed that maximum, no maximum penalty adjustment is required.

Step 6 – Consider the sanctions to be imposed in their totality

- 4.15 In its approach to determining sanctions, the Central Bank considers the overarching general principles of proportionality, deterrence, and totality. The Central Bank does not consider that the imposition of a reprimand alone would be sufficient in the circumstances of this case to satisfy these principles, due to the serious nature of the prescribed contraventions.

- 4.16 In this regard, the Central Bank has taken into account the nature of the prescribed contraventions, the facts of the case and the circumstances of BlueSnap, including its size and financial position. The Central Bank considers that the sanctions in this case, being a reprimand and a monetary penalty in the amount of €463,200, are proportionate to the prescribed contraventions and to the circumstances of BlueSnap.

- 4.17 The Central Bank does not consider that any adjustment to the monetary penalty is required, having regard to the overall suite of sanctions to be imposed in the case.

No totality adjustment is required / has been made.

Step 7 – Final Monetary Penalty

- 4.18 The Central Bank therefore considers that a monetary penalty of €463,200 is appropriate.

The final monetary penalty is €463,200.

Settlement Scheme Discount

- 4.19 As this settlement is agreed under the Undisputed Facts Settlement Process,¹¹ the maximum percentage discount which can be applied is 30% in line with paragraph

¹¹ Section 38 of the ASP Guidelines.



304 of the ASP Guidelines. In this case, the Central Bank has determined that it is appropriate to apply the maximum percentage discount of 30%. Therefore the final monetary penalty of €463,200 has been reduced by 30% to take account of the settlement discount.

The monetary penalty being imposed is €324,240.