

**Isle of Man  
Financial Supervision Commission**

**Business Plan Guidance  
for Licence Applicants**

**January 2012**



Financial Supervision Commission B a r r a n t e e O a s e i r y s

## **1. Introduction**

An applicant seeking a Financial Services Licence is required to submit a business plan alongside a completed licence application form. The extent and complexity of the business plan will vary according to the scale and complexity of the proposed business.

This guidance summarises the suggested contents for a typical business plan. Some sections apply to all applicants whilst some are only relevant to applications for specific classes of business.

The suggested content summarised in this document is not intended to be comprehensive. The applicant is encouraged to consider what is likely to be relevant to the Financial Supervision Commission's consideration of its application taking into account the nature of the applicant's activities, or proposed activities, as well as the Commission's [licensing policy](#).

During the processing of the application, the Commission may ask the applicant to provide information over and above that which it included in its business plan.

Where a specific rule is cross referenced in the document, this refers to the relevant rule within the [Financial Services Rule Book](#) ("the Rule Book").

## **2. Requirements for all licence applicants**

### **2.1 Background / Objectives**

- Summary of the applicant's history.
- Details of the ownership of the applicant, including the source of wealth of the investors.
- The regulated activities to be offered by the applicant.
- Any existing sources of income of the applicant and / or the group (including any unregulated activity undertaken).
- The applicant's business objectives and strategy.
- The marketing strategy for the regulated activities and the marketing methods to be used.
- Details of the markets to be targeted; including the type of client and geographical areas.
- Details of any sources of business which are expected to contribute more than 10% of income.

### **2.2 Risk Management and Internal Control**

- A summary of the corporate governance structure including the Board and any committees, including the personnel to be appointed to the committees.
- A summary of the experience of the key persons and its relevance to the management and oversight of the business.

- A summary of the applicant's approach to the management of risks and its assessment of the principal risks for the business (rule 8.6 refers).
- Control procedures, including:
  - (i) Client acceptance;
  - (ii) Separation of functions; and
  - (iii) Use of external advice.
- Details of the information systems used, or to be used, by the applicant and how they are supported.
- Business continuity and disaster recovery plans.

**2.3 Financial Projections** (For all applicants except those applying for Class 8(1), 8(2) (b) or 8(3) permissions)

- Projected profit and loss account, balance sheet and cash flow forecasts for the next two years (three years for Class 1 and Class 8 (2) (a) and 8 (4) applicants). Please also include the assumptions that have been made.
- If the applicant is an established company, a copy of the accounts of the applicant for the previous two accounting years (or for the period since the applicant was established, if it is less than two years). If these are not audited we may ask for an auditor's opinion to be provided with the accounts.
- The Commission will usually also require the accounts of any parent company and may require the accounts of a subsidiary or fellow subsidiary (rule 2.11 refers).
- A statement of financial resources as at the date of the latest audited accounts. If the applicant has no audited accounts, or the audited accounts are in respect of an accounting period ending more than 6 months before the date of application, the applicant must supply a statement of financial resources as at the date of the application.
- A statement of financial resources as it is expected to appear after one year of operation, on the basis of the core assumptions in the Business Plan.
- The documentation referred to above should be signed off by the applicant's auditors.

Please refer to rule 2.37 for the financial resource requirements of licenceholders. Also, a template to assist with the production of a statement of financial resources is available on the Commission's website at the following [link](#).

**2.4 Outsourcing or provision of services**

- Details of and the rationale for any outsourcing arrangements with third parties or other group companies. Copies of the agreements in respect of these outsourcing arrangements should also be provided. For this area, reference should also be made to the Commission's [Outsourcing Guidance](#).
- For applicants intending to be managed or administered by another licenceholder, include:
  - (i) The rationale for the management or administration arrangement.

- (ii) The service level (or management) agreement setting out the respective roles of the manager and the managed company including details of the fees to be paid.
- (iii) Any relevant procedures for the operation of the arrangement including how the two businesses will be kept separate (e.g. separate filing systems).

## **2.5 Documentation**

- Copies of agreements relevant to the operation of the business should be attached, for example:
  - Service level agreements.
  - Management Agreements.
  - Client agreements or terms of business.
  - Functionary agreements.

### **Additional requirements for specific classes of business**

#### **Class 1 (Deposit Taking) licence applicants**

- Within its approach to the management of risks and assessment of the principal risks, the applicant should cover:
  - (i) Credit risk including large exposures and arrears and provisioning.
  - (ii) Market Risk, including, as appropriate, Liquidity Management, Foreign Exchange and Interest Rate Risk.
  - (iii) Operational Risk.
- The applicant must be part of a larger group and must supply a copy of a letter of comfort from its parent, or immediate owner if appropriate. Please see paragraph 2.3 of the licensing policy for further details.
- Where a deposit taker is a branch, written confirmation is required from the applicant's head office that it accepts full responsibility for branch liabilities.

#### **Class 2 (Investment Business) licence applicants**

- Full details of the services to be provided, including the types of investments offered.
- A copy of the proposed standard agreements or terms of business to be issued in the course of the applicant's business (see rules 6.38, 6.40, 6.41 and 6.42).

#### **Class 3 (Services to Collective Investment Schemes) licence applicants**

- Details of the types of funds that services will be provided to including the expected regulatory status (e.g. Authorised Scheme, Regulated Fund, Qualifying Fund, Specialist Fund, Exempt Scheme, Overseas Fund etc),

asset type, geographical spread of underlying investments and target customer profile..

- Details of the services that will be provided to those fund types and copies of the agreements which services will be provided under.
- Any additional functionality agreements to which the applicant is party. Details of the systems, controls and procedures to be put in place in relation to services provided to schemes, for example fund valuation and investor servicing systems.
- If the launch of the applicant is linked to the establishment of a particular fund, or funds, the fund offering document (or draft offering document) should be provided with the application.
- The applicant should also have consideration for the specific requirements arising from the regulations and guidance of the relevant scheme types.

**Class 3 applicants applying to act as trustees or fiduciary custodians of authorised, international or regulated Collective Investment Schemes, should also cover the following:**

- The scheme types to which the applicant intends to provide trustee or fiduciary custodian services to.
- A list of any schemes to which services are currently provided.
- Details of the systems, controls and procedures to be put in place in relation to the activity of acting as trustee / fiduciary custodian of collective investment schemes
- Give details of the experience within group of acting in this capacity.
- Identify the personnel to be involved in the trustee / fiduciary custodian function together with their experience.
- If the applicant is to be a trustee / fiduciary custodian of a full international, or regulated, collective investment scheme and the manager and fiduciary custodian / trustee are bodies corporate having the same ultimate parent, the Letter of Comfort indicated in paragraph 1.5(e) of the Guidance Notes for Managers and Trustees of International Collective Investment Schemes should be provided.

**Class 4 and Class 5 (Corporate and Trust Services) licence applicants**

- A copy of the proposed standard agreements or terms of business to be issued in the course of the applicant's business (refer to rule 6.63).
- Details of any subsidiaries operated by the applicant to provide "nominee services" (paragraphs 4.5 and 5.1 of Schedule 1 to the Financial Services (Exemptions) Regulations 2011). Including the name of the company, place of incorporation, directors and the proposed activity.
- Please provide details of any services currently provided to any private trust companies / family office arrangements.

**Class 8 (Money Transmission Services) licence applicants who are applying for sub-classes 1, 2 (b) or 3**

- A copy of the applicant's AML procedures.
- A copy of the procedures that provide guidance on how to process a transaction (if separate to the AML procedures).
- Where the applicant proposes to operate as an agent, the name and head office address of the principle(s), along with the body that regulates the principle(s), should be included.

**Class 8 (Money Transmission Services) licence applicants who are applying for sub-classes 2 (a) or 4 only**

- A description of the intended use of any agents and branches (see rule 6.71), and details of the applicant's participation in a national or international payment system.
- A process / flow chart demonstrating how the funds flow through the process to complete a transaction from start to finish. This should include details of what AML checks are undertaken on the person undertaking the transaction and how customer information is collected / stored.
- Details of how the reconciliation of payment accounts will take place (see rule 3.36).
- A copy of the proposed standard agreements or terms of business to be issued in the course of the applicant's business (refer to rule 6.63).