



**ISLE OF MAN
FINANCIAL SERVICES AUTHORITY**

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**Business Plan Guidance
For Licenceholders under the Financial
Services Act 2008**

Rule 8.11 and Rule 9.13

August 2018

Status of Guidance: The Financial Services Authority issues guidance for various purposes, including to illustrate best practice, to assist licenceholders to comply with legislation and to provide examples or illustrations. Guidance is, by its nature, not law, however it is persuasive. Where a person follows guidance this would tend to indicate compliance with the legislative provisions, and vice versa.

Introduction

Rules 8.11 and 9.13 require licenceholders and professional officers to operate in accordance with a business plan.

The following is a summary of the suggested contents for a generic business plan. It is appreciated that:

1. The extent and complexity of a business plan will vary according to the scale and complexity of the business;
2. Licenceholders which are branches will operate in accordance with a business plan set by their head office and similarly subsidiaries of international organisations may operate within a corporate style; and,
3. Locally incorporated banks will cover many relevant aspects in their ICAAP.

Background

1. A brief summary of the licenceholder's history and performance to date. For start-ups, the rationale for entering the chosen business area.
2. A group structure chart showing the following (in a large group this may need to be simplified and the chart should indicate that fact):
 - i. The full legal ownership of the licenceholder including the name and place of incorporation of any parent companies;
 - ii. All controllers of the licenceholder as defined in section 48 of the Financial Services Act 2008;
 - iii. The beneficial ownership of the licenceholder, where this is different to (i) and (ii) above;
 - iv. The name and country of incorporation of all subsidiaries of the licenceholder;
 - v. The location of any branches of the licenceholder;
 - vi. Other group companies;
 - vii. Any regulatory authority to which any group company reports.

Business objectives

3. The business objectives and strategy of the licenceholder.
4. The services and products to be offered; including any unregulated activities, and estimates of income and expenditure attributable to each.
5. The identity of any intermediaries for the introduction of business.
6. The marketing strategy and methods used; including the type of client and a list of the markets to which services are offered.
7. Existing and intended future sources of income of the licenceholder and / or the group.

8. An analysis of the relevant industry / sector, the perceived opportunities and the licenceholder's competitive strengths.
9. Any sources of business which represent more than 10% of the total income of the licenceholder.

Financial resources

10. Financial Information:
 - i. Projected Statement of Profit or Loss, Statement of Financial Position and cash flow forecasts for the next two years (three years for deposit takers and Class 8(2)(a) and 8(4))
 - based on the core assumptions in the business plan and
 - modified for adverse conditions.
 - ii. A brief explanation of how and when you will monitor forecasts against actual progress.
 - iii. A statement of Financial Resources and as it is expected to appear in one year's time, on the basis of the core assumptions in the Business Plan.
 - iv. The amount of any subordinated loans; supported by a copy of the audited accounts of the lender.
11. The principal assumptions made in forecasting income and expenditure.
12. Details of any parental guarantee or letter of comfort, supported by a copy of the audited accounts of the guarantor or provider of the letter of comfort.
13. Criteria applied in selecting the amount of Professional Indemnity Insurance cover.

Risk Management, Staffing and Internal Control

14. An internal structure chart identifying all individuals in controlled functions.
15. A summary of the experience of individuals proposed in controlled functions, relevant to the management and oversight of the proposed regulated entity.
16. A summary of the corporate governance structure including the Board and any committees, including the personnel (to be) appointed to the committees.
17. A summary of the licenceholder's approach to the management of risks relevant to the activities that are conducted under its business plan and its assessment of the principal risks identified. (Rule 8.6 refers).
18. Control procedures, including:
 - i. Client acceptance,
 - ii. Separation of functions, and
 - iii. Use of external advice.
19. Details of the information systems used by the licenceholder and how they are supported.
20. Business continuity and disaster recovery plans.

Policies and Record keeping

21. Confirmation that policies and record keeping procedures are in place, including:
- i. Management of conflicts of interest (Rules 8.9, 8.10 and 9.21 refer),
 - ii. Compliance procedures and reporting arrangements (Rule 8.23 refers)
 - iii. Recording of rule breaches (Rules 8.17 and 9.25 refer)
 - iv. Handling of complaints (Rules 8.32 and 9.22 refer)
 - v. Recording and correction of pricing errors (Rule 8.60 for Class 3 only).
- You may also wish to refer to the Authority's [Guidance on Rules relating to policies](#) and [Guidance on Rules relating to record keeping](#).

Outsourcing or provision of services

22. Details of any outsourcing arrangements for services or advice bought in from third parties or other group companies. Reference should also be made to the Authority's [Outsourcing guidance](#).
23. For licenceholders which manage or administer another licenceholder under Class 7 or Class 3(9), or are managed or administered by another licenceholder, also include:
- i. The rationale for the management or administration arrangement, as well as the rationale for choosing the particular manager.
 - 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 (Rule 8.12 refers).
 - iii. Any relevant procedures for the operation of the arrangement, including how the two businesses will be kept separate (e.g. separate filing systems), and conflicts of interest identified and managed.

Documentation

24. Copies of agreements relevant to the operation of the business or should be attached, for example:
- i. Service level agreements
 - ii. Management agreements
 - iii. Client agreement or terms of business;
 - iv. Functionary agreements

Additional requirements for specific classes of business

Class 1 (Deposit Takers)

- A summary of the approach to the management of risks relevant to the activities that are conducted in accordance with Chapter 3 or Chapter 4 of Part 8 of the Rule Book. This should normally 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.

Class 2 (Investment Business)

- Full details of current and proposed products and services, including types of investments offered.

Class 3 (Services to Collective Investment Schemes)

- Details of the types (and jurisdiction of establishment) of schemes that services are or will be provided to. For example, regulatory status (i.e. Authorised Scheme), asset type, geographical spread of underlying investments and target customer profile.
- Details of the services that are or will be provided to the schemes.
- Details of relevant systems, controls and procedures. For example, fund valuation and investor servicing.
- Consideration should be given to the specific regulations and guidance for the different scheme types.

Class 3 (Services to Collective Investment Schemes) - trustees or fiduciary custodians of Authorised, International or Regulated collective investment schemes

- The scheme types to which the licenceholder or licence applicant provides or intends to provide trustee or fiduciary custodian services.
- A list of any schemes to which services are currently provided.
- Details of the systems, controls and procedures for the activity of acting as trustee / fiduciary custodian of collective investment schemes.
- Details of the personnel (to be) involved in the trustee/fiduciary custodian function, together with their experience.
- Details of relevant group experience.

Class 4 and Class 5 (Corporate and Trust Services)

- Details of any (proposed) subsidiaries to be operated to provide corporate officer, nominee or corporate trustee services (paragraphs 4.4, 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.
- Details of any (proposed) services to private trust companies and any family office arrangements.

Class 8 (Money Transmission Services) sub-classes 1, 2 (b) or 3

- Details of the procedures or process flow for each transaction type that involves regulated activity.
- For those operating (or proposing to operate) as an agent, the name and head office address of the principal(s), along with the body that regulates the principal(s), should be included.

Class 8 (Money Transmission Services) sub-classes 2 (a) or 4 only

- A description of the (proposed) use of any agents and branches (rule 6.69), and details of any current or proposed 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.