



## **Standard licence conditions for Class 1(2) deposit takers 1 January 2017**

The following are the standard licence conditions for Class 1(2) licenceholders:

“*Restricted depositor*” has the meaning given in the Regulated Activities Order<sup>1</sup>. Other terms used in the licence conditions have the meanings given in the Rule Book<sup>2</sup>.

### ***1(2)(A) Reference to lack of compensation scheme in licenceholder documentation and advertisements***

(1) A licenceholder must not suggest or imply by any means that deposits placed with it are protected by a deposit protection scheme.

(2) A statement, which must be in the form set out at (3), must be contained prominently within a licenceholder’s account opening documentation, account opening correspondence, on all bank statements, and in all advertisements.

(3) The statement required by (2) is: ‘No deposit placed with [name of bank] has protection from a deposit compensation scheme’.

(4) During the process of opening each account for a customer, a licenceholder must obtain and retain the customer’s signed certification that they understand the implications of the statement in (3). This certification may be combined with the certification required by condition 1(2)(B)<sup>3</sup>.

### ***1(2)(B) Restricted depositors***

(1) Subject to (3), a licenceholder must not undertake business, whether deposit taking, lending or otherwise for persons who are not ‘restricted depositors’ as defined in the Regulated Activities Order 2011.

(2) If a customer is not a body corporate, during the process of opening each account, or providing any other service for a customer, a licenceholder must obtain and retain a signed certification that each customer is a restricted depositor. This certification must be in the form set out in (4), and may be combined with the certification required by condition 1(2)(A)<sup>4</sup>.

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<sup>1</sup> <http://www.iomfsa.im/lib/docs/iomfsa/consultations/regulATEDactivitiesorder2011.pdf>. The definition of ‘restricted depositor’ is also shown below.

<sup>2</sup> <http://www.iomfsa.im/lib/docs/iomfsa/consultations/financialservicesrulebook20131.pdf>

<sup>3</sup> See licence condition 1(2)(B)(4) for the format of the combined certification.

<sup>4</sup> The combined certification (per licence conditions 1(2)(A) and 1(2)(B)) is shown in 1(2)(B)(4).

(3) Despite (1), if a customer was a restricted depositor at the time of placing a deposit, but subsequently ceases to be a restricted depositor, a licenceholder may continue to provide services to that customer for a period of 12 months following the date it became aware, or reasonably should have become aware, of that fact.

(4) The form of the Restricted Depositors' confirmation, which must be signed and dated by any individual depositor, is either (a)(i) or (b)(i) as appropriate:

(a) For any individual who is a *restricted depositor* (in his personal capacity and not as trustee or nominee):

*i. I certify that I have a minimum of £500,000 net worth, excluding -*  
*a) my home or any money raised through a loan secured on that property; and*  
*b) any rights of mine under a contract of insurance; and*  
*c) any benefits (in the form of pensions or otherwise) which are payable on the termination of my service or on my death or retirement and to which I, or my dependants, are or may be entitled; and*

*ii. I understand that deposits placed with [name of class 1(2) deposit taker] do not benefit from a compensation scheme.*

(b) For any individual who is a *trustee* of a particular trust:

*i. I certify that the assets of the trust are valued at a minimum of £500,000, excluding real property that is any person's principal place of residence; and*

*ii. I understand that deposits placed with [name of class 1(2) deposit taker] do not benefit from a compensation scheme.*

For the avoidance of doubt, in the case of deposits held jointly, each depositor must meet one of the above criteria in their own right.

*[Note that this condition will be supplemented with guidance to indicate that a corporate trustee is considered a company, not an individual.]*

### **1(2)(C) Periodic verification**

A licenceholder must satisfy itself at least every three years that each of its customers that are not bodies corporate continue to be restricted depositors.

### **1(2)(D) Advertising**

A licenceholder must not market its products or services by means of media directed to the general public.

*[Note that this condition may be supplemented with guidance to indicate the advertising permitted/ not permitted.]*

### **Rule book modifications for Class 1(2) deposit takers**

The following rules do not apply to Class 1(2):

Rules 2.22(1)(b), 2.22(4)(h), 2.24(1)(b), 6.15<sup>5</sup> and 7.24.

### **Definition of restricted depositor**

**“restricted depositor”** means —

(a) a body corporate;

(b) an individual (in his personal capacity and not as trustee or nominee) who certifies that he has a minimum of £500,000 net worth, excluding —

- (i) his home or any money raised through a loan secured on that property; and
- (ii) any rights under a contract of insurance; and
- (iii) any benefits (in the form of pensions or otherwise) which are payable on the termination of his service or on his death or retirement and to which he, or his dependants, are or may be entitled; or

(c) an individual who is a trustee of a particular trust, who certifies that that the assets of that trust are valued at a minimum of £500,000, excluding real property that is any person’s principal place of residence;

that —

- (i) certifies their confirmation of understanding that deposits placed with a class 1(2) deposit taker do not benefit from a compensation scheme; and
- (ii) for the avoidance of doubt, in the case of deposits held jointly, each depositor must meet one of the above criteria in their own right

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<sup>5</sup> Rule 6.15 is replaced by a licence condition