



**ISLE OF MAN  
FINANCIAL SERVICES AUTHORITY**

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# **Business Plan Guidance for Applicants for Licences under the Financial Services Act 2008**

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## 1. Introduction

An applicant for a licence to conduct regulated activity under the Financial Services Act 2008 (**'the Act'**) 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 content for a typical business plan. It also sets out the related documents that may be needed to support the information included in a business plan. Some sections of this guidance apply to all applicants whilst some are only relevant to applications for specific Classes of regulated activity.

The suggested content, summarised in this document, is not intended to be comprehensive nor is it intended to be a template. The applicant is encouraged to consider what is likely to be relevant to the Isle of Man Financial Services Authority's (**'the Authority'**) assessment of its application, taking into account the nature of the applicant's activities or proposed activities, as well as the Authority's [Licensing Policy for Regulated Activities under the Financial Services Act 2008](#).

During the processing of the application, the Authority 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 (**'the Rule Book'**).

## 2. Requirements for all licence applicants

### 2.1 Background / Objectives

- Summary of the applicant's history or, for start-ups, the rationale for entering the chosen business area.
- Details of the ownership of the applicant, including, the source of wealth of the major shareholders where they are individuals. Where the applicant is part of a group, a detailed group structure chart should be contained in the business plan (which includes the names of the companies, jurisdictions of incorporation, percentage holdings, and regulatory permissions (if any) held by each entity in the structure).
- The applicant's business objectives and strategy.
- The regulated activities to be undertaken by the applicant and a summary of specific products and services to be offered.
- Any existing or intended future sources of income of the applicant and / or the group (including any unregulated activity undertaken or planned to be undertaken).
- The marketing strategy and the marketing methods to be used.

- The identity of any intermediaries that the applicant will rely on for the introduction of business.
- Details of the markets to be targeted; including the type of client and geographical areas.
- An analysis of the industry / sector / market being entered, the perceived opportunities and the applicant's competitive strengths.
- Details of any sources of business which are expected to contribute more than 10% of total income.

## **2.2 Risk Management, Staffing 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.
- An internal structure chart identifying all individuals in controlled functions.
- A summary of the experience of individuals proposed in controlled functions and its relevance to the management and oversight of the proposed regulated activity.
- 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.
- A summary of the 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).
- The projections should show a detailed breakdown of how the aggregate income and expenditure figures have been derived. Any assumptions that have been made should also be included and explained.
- It may be appropriate to include projections covering more than one scenario, for example a realistic, an optimistic and a pessimistic scenario showing how the business would manage its financial resources under different conditions.
- A statement of financial resources as it is expected to appear after one year of operation for start-ups or one year after licensing for established companies, on the basis of the core assumptions in the business plan.
- For 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), should be provided. If these are not audited we may ask for an auditor's opinion to be provided with the accounts.

- Also, for an established company, a statement of financial resources as at the date of the latest published accounts. Or, if the 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.
- The Authority will usually also require the accounts of any parent company and may require the accounts of a subsidiary or fellow subsidiary (rule 2.10 refers).

The documentation listed in this section, with the exception of published accounts for existing companies, should be signed by the applicant's auditors.

Please refer to rule 2.30 for the financial resource requirements for regulated entities. A spreadsheet, to assist with the production of a statement of financial resources, is available on the Authority's website, within the section on "Quarterly Financial Returns and Calculations", 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 Authority's [Outsourcing Guidance](#).
- For applicants intending to be managed or administered by another regulated entity, 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.
  - (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.

## 2.5 Documentation

- To support the business plan, copies of key agreements, relevant to the operation of the business, should be included. Some of these are referenced elsewhere in this guidance. Relevant agreements include:
  - Service level agreements.
  - Management and administration agreements.
  - Client agreements or terms of business.
  - Functionary agreements.

### 3. 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 products and 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 6.41, 6.43, 6.44 and 6.45).

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

- Details of the types (and jurisdiction of establishment) of collective investment schemes that services will be provided to including the expected regulatory status (e.g. Authorised Scheme, Regulated Fund, Qualifying Fund, Specialist Fund, Exempt Scheme etc.), asset type, geographical spread of underlying investments and target customer profile.
- Details of the services that will be provided to the schemes and copies of any agreements covering the services to be provided.
- Any additional functionary agreements to which the applicant is party.
- Details of the systems, controls and procedures to be utilised in relation to the services provided to schemes, for example fund valuation and investor servicing.
- If the launch of the applicant is linked to the establishment of a particular scheme, or schemes, the offering document (or draft offering document) should be provided with the application.
- The applicant should also have regard to the specific requirements arising from the regulations and guidance for the different scheme types.

**Class 3 (Services to Collective Investment Schemes) licence applicants applying to act as trustees or fiduciary custodians of Authorised, International or Regulated collective investment schemes**

- The scheme types to which the applicant 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 to be utilised for the activity of acting as trustee / fiduciary custodian of collective investment schemes.
- Details of the experience within group of acting as trustee/fiduciary custodian.
- Identify the personnel to be involved in the trustee/fiduciary custodian function together with their experience.

**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 6.64).
- Details of any subsidiaries to be operated by the applicant 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.
- Please provide details of any services currently provided to any private trust companies and 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 procedures or a process flow for each transaction type that involves regulated activity.
- Where the applicant proposes 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) 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 6.69), 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.
- Details of the reconciliation of payment accounts (see rule 3.40).