



**ISLE OF MAN
FINANCIAL SERVICES AUTHORITY**

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Guidance for Representative Offices of a Foreign Deposit Taker / Bank –

- **Becoming Licensed**
- **Standard Licence Conditions**

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STATUS OF GUIDANCE

The Isle of Man Financial Services Authority (“the 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.

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1. Introduction

- 1.1 The [Regulated Activities Order 2011](#) provides that the operation of a representative office of a foreign deposit taker / bank ('foreign bank') in the Isle of Man is regulated activity (Class 1(3)). The effect of being a representative office means that the foreign bank's presence in the Isle of Man is restricted to marketing and business development only; the foreign bank must not undertake any transactions – whether deposit taking or other regulated activity. In order to accept deposits in or from the Isle of Man, a foreign bank would need to seek a Class 1(1) or Class 1(2) licence.
- 1.2 A foreign bank wishing to establish a representative office in the Isle of Man must obtain the appropriate licence under the [Financial Services Act 2008](#) – issued by the Isle of Man Financial Services Authority ('the Authority').
- 1.3 In order to establish a representative office in the Isle of Man a foreign bank is required to meet minimum entry criteria and comply with certain licence conditions, set by the Authority. Further information about the criteria and standard licence conditions is set out in **sections 2 and 4 below**. Licence conditions may be varied at any time. Failure to comply with the conditions may lead to regulatory sanctions being imposed by the Authority, for example, suspension or even revocation of the licence.
- 1.4 Foreign banks may also apply to establish locally incorporated banking subsidiaries in the Isle of Man, or apply to operate through branches. Information on the Authority's entry criteria for both of these models is provided in the Authority's '[Licensing Policy](#) for Regulated Activities under the Financial Services Act 2008'.

2. Entry criteria

- 2.1 An applicant wishing to establish a representative office in the Isle of Man will need to satisfy the Authority that it:-
 - a) is recognised as a bank under the laws of its home jurisdiction;
 - b) is of good substance and repute;
 - c) is subject to adequate standards of prudential supervision in its home jurisdiction;

- d) is from a jurisdiction which is considered to operate AML/CFT laws that are equivalent¹ to the those of the Isle of Man, and is regulated or supervised for AML/CFT purposes by an appropriate authority empowered (whether by law or by the rules of the body) to regulate or supervise such business for such purposes; and
- e) has received approval (or no objection as may be applicable) from its home jurisdiction supervisor to establish a representative office in the Isle of Man.

3. Making an application

3.1 In order to satisfy the Authority that it meets the criteria specified in section 2, an applicant should submit the following information (in English) to the Authority, in addition to completing the [Representative Office licence application form \(Word\)](#) / [application Representative Office licence application form \(pdf\)](#) :-

- a) evidence of its status as a bank under the laws of its home jurisdiction (e.g. a copy of its banking licence or similar authority);
- b) a copy of its most recent annual report (including audited financial statements) and any subsequent public financial statements;
- c) names of directors and shareholder controllers (as defined under the Financial Services Act 2008) where these are not disclosed in the annual report (or have changed since the annual report);
- d) a brief history of the applicant including details of its main activities;
- e) a description of the proposed functions of the representative office and an indication of the number of personnel to be assigned to the office;
- f) the name of the proposed 'Main Representative' and the address and contact numbers of the proposed registered place of business in the Isle of Man. (If the contact number is not known at the time of the application, it should be provided as soon as possible, if permission is granted by the Authority for the representative office to be established);

¹ For example those jurisdictions that are contained in "List C" issued and updated from time to time by the Department of Home Affairs, or other jurisdictions that are not on that list, but are not also on "List A" or "List B" (also maintained and published by the Department of Home Affairs). These lists are also contained in the Authority's [AML/CFT Handbook](#).

- g) the name and position of the officer in the applicant's head office to whom the Main Representative will report, and an outline of how the operations of the representative office are to be monitored, to ensure that the licence conditions (*see section 4*) to maintain the office are observed;
 - h) details of any equity interests held by the applicant (or its ultimate parent) in Isle of Man financial services businesses, and an outline of the nature of the business carried on by those businesses;
 - i) written confirmation from its home jurisdiction supervisor that:
 - i) it does not object to the application;
 - ii) the applicant is of good repute and satisfies all prudential requirements; and
 - iii) the applicant's operations are supervised on a consolidated basis consistent with internationally agreed standards.
 - j) information as to whether the applicant has ever had an application to establish a presence in another jurisdiction rejected or had an approval to conduct a representative office or banking operation in another jurisdiction suspended or revoked, and the reasons for that action; and
 - k) written confirmation that the foreign bank has registered with the Department of Economic Development (Companies Registry) under the Foreign Companies Act 2014, (or that it will do so subject to the licence being approved by the Authority).
- 3.2 The Authority reserves the right to seek further information from applicants, and to contact other supervisory authorities about an applicant.

4. Standard licence conditions

- 4.1 The Financial Services Rule Book will not be applied to representative offices of foreign banks. Instead, the Authority will impose standard licence conditions. The following standard licence conditions will *normally* be set by the Authority:

A. Permitted activities

- (1) A licenceholder's business must be confined to the conduct of liaison and research activities.

Guidance: examples of permissible activity include conducting research into the Isle of Man economy; liaising with Isle of Man customers of the bank; the provision of factual information relating to the bank's deposit and loan products and services upon request (excluding investment related products and services); undertaking credit assessments and reports on Isle of Man entities for the bank (for example).

- (2) A licenceholder's activities and registered place of business in the Isle of Man must be separate from those of any other entity regulated by the Authority.

Guidance: the representative office should be distinctly located from the office of any other entity regulated by the Authority, but this does not necessarily prohibit the following examples: rented office space, which is appropriately segregated, in a building that is also owned or rented by another entity regulated by the Authority (and that could be the registered office of that other entity); a segregated area within the offices of an existing financial services group of which the foreign bank is a part, as long as this is clearly separated.

B. Prohibition of deposit-taking and other transactions

- (1) A licenceholder must not undertake any deposit-taking or activity related to the administration of banking business.

Guidance: examples of prohibited activities include: soliciting deposits; receiving deposits (including arranging for the deposit of monies into any account conducted with a licensed bank in the Isle of Man in the name of the representative office or the foreign bank, e.g. for remittance overseas); granting loans; drawing, accepting, endorsing or discounting bills of exchange; establishing letters of credit; dealing in or issuing securities; dealing in derivative products; buying or selling foreign exchange; complaints handling and / or dispute resolution in relation to any financial services business conducted in the Isle of Man; or executing any documentation for any of the above purposes.

- (2) A licenceholder must not undertake any financial transactions except those transactions that are necessary for and incidental to the maintenance of the office in the Isle of Man.

C. Advertising and communication

A licenceholder may only use its bank's name in conjunction with the description 'representative office' regulated activity.

Guidance: for example this would apply to office signage, letterheads, emails, advertising, business cards and general communications.

D. Compliance and co-operation

- (1) A licenceholder must –
 - (a) comply with all applicable regulatory requirements, and for this purpose the ‘regulatory requirements’ include the requirements of –
 - (i) the conditions of the licenceholder’s licence;
 - (ii) any direction issued to the licenceholder under section 14 of the Financial Services Act 2008 (‘the Act’); and
 - (iii) the following, so far as applicable to the licenceholder –
 - (A) any provision of the Act;
 - (B) the Anti-Money Laundering and Countering the Financing of Terrorism Code 2015, or any successor;
 - (C) any other relevant code of practice under section 157(1) of the Proceeds of Crime Act 2008 or section 68 of the Terrorism and Other Crime (Financial Restrictions) Act 2014;
 - (D) any other provision having effect under or by virtue of the Act;
 - (E) any statutory provision referred to in section 43 of the Act;
 - (F) any provision of the Payment Services Act 2015 and any provision having effect under or by virtue of that Act;
 - (b) immediately inform the Authority in writing of any breach or alleged breach of a regulatory requirement; and
 - (c) immediately inform the Authority in writing of any event which might reasonably be expected to result in the suspension or revocation of the licence.
- (2) A licenceholder must promptly provide the Authority with any information requested in relation to its operations.

E. Main Representative

- (1) A licenceholder must have a Main Representative who must –
 - (a) be an employee of the licenceholder;
 - (b) be a key person; and
 - (b) not be an employee or director of any other entity regulated by the Authority.

Guidance: the Main Representative should normally be resident in the Isle of Man.

- (2) A licenceholder must notify the Authority –
 - (a) at least 20 business days in advance of the appointment or intended appointment of a Main Representative;
 - (b) within 10 business days of the departure or intended departure from office of the Main Representative, giving reasons for his departure;
 - (c) at least 20 business days in advance of a change to the address and contact numbers of the place of business in the Isle of Man, or of its intention to close the representative office.

F. Head Office monitoring

- (1) A licenceholder's Head Office must submit to the Authority annually a statement, as specified by the Authority, confirming that the licenceholder is complying with its licence conditions. This statement must be signed by the officer in the licenceholder's Head Office to whom the Main Representative reports.
- (2) A licenceholder must notify the Authority in advance of any change in the arrangements for the Head Office's oversight of the licenceholder and confirm that the licenceholder's compliance with its licence conditions will not be adversely affected by the proposed changes.

G. Reporting

- (1) A licenceholder must submit to the Authority annually a copy of its audited financial statements (in English), within four months of the accounting year end.

- (2) A licenceholder must immediately notify the Authority of any significant developments adversely affecting its financial soundness and/or reputation globally.

H. Mergers and acquisitions etc

A licenceholder must notify the Authority immediately of any joint venture, merger, takeover, or acquisition of 5% or more of the shares of –

- (a) another licenceholder; or
- (b) any entity in the Isle of Man.

5. Fees for establishment and maintenance of a representative office

- 5.1 An application fee of £3,000 is payable to the Authority for dealing with an application by a foreign bank to establish a representative office in the Isle of Man. This fee is payable on the lodgement of the application and will not be refunded if the application is refused.
- 5.2 A charge of £2,500 per financial year is payable to the Authority for the Authority's monitoring of the operations of the representative office. Monitoring is undertaken by the Authority to make sure the representative office is complying with the licence conditions. The fee is levied by invoice, normally by 1 July and payable on 1 August, for the period 1 August to 31 July, and no part of it will be refunded if the representative office closes before the end of that financial year.