



Financial Services Act 2008 Guidance on Rule 8.11 and Rule 9.13 Business Plan

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.

Some of the items described in the guidance will be supplied to the Authority with the Annual Regulatory Return, for example the structure charts for the group and the management and staff. These have been left in the guidance, because they are likely to change when the business plan changes.

Background

1. A brief summary of the licenceholder's history and performance to date.
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 marketing strategy and methods used; including a list of the markets to which services are offered.
6. Existing sources of income of the licenceholder and / or the group.
7. Any sources of business which represent more than 10% of the income of the licenceholder.
8. The principal assumptions made in forecasting income and expenditure.

Financial resources

9. 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)
 - 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.
10. 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.
11. Criteria applied in selecting the amount of Professional Indemnity Insurance cover.

Risk Management and Internal Control

12. A structure chart of the licenceholder including the directors, managers and other key persons and their responsibilities. The following definitions may assist:

Isle of Man resident officer – Rule 8.25 (non-IOM incorporated and certain Class 8 only);

Key person – Section 48 of the Act;*

Compliance Officer - Rules 8.21 and 8.23;

MLRO and deputy MLRO– Rule 8.21 (or rule 8.22 for certain Class 8s);

*Controller** – Section 48 of the Act;*

Director – Section 48 of the Act;

“Secretary” is not separately defined, but qualification requirements for a company secretary are cited at Rule 8.26.

* The Authority considers certain roles at senior management level, which are predominantly related to the business risks of the licenceholder (e.g. Chief Risk Officer) to meet this definition.

** Licenceholders should note the vetting implications for corporate controllers with more than 15% voting power.

13. A summary of the corporate governance structure including the Board and any committees.
14. 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).
15. Control procedures, including:
 - i. Client acceptance,
 - ii. Separation of functions, and
 - iii. Use of external advice.
16. Details of the information systems used by the licenceholder and how they are supported.
17. Business continuity and disaster recovery plans.
18. Deposit takers should also include a summary of the licenceholder’s approach to the management of risks relevant to the activities that are conducted under its business plan in accordance with Chapter 3 or Chapter 4 of Part 8 of the Rule Book. This should normally cover the following:
 - 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.

Policies and Record keeping

19. 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

20. Details of any outsourcing arrangements for services or advice bought in from third parties or other group companies.
21. 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.
 - ii. The service level agreement setting out the respective roles of the manager and the managed company (Rule 8.12 refers).
 - iii. Any relevant procedures for the operation of the arrangement.

Documentation

22. 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

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.