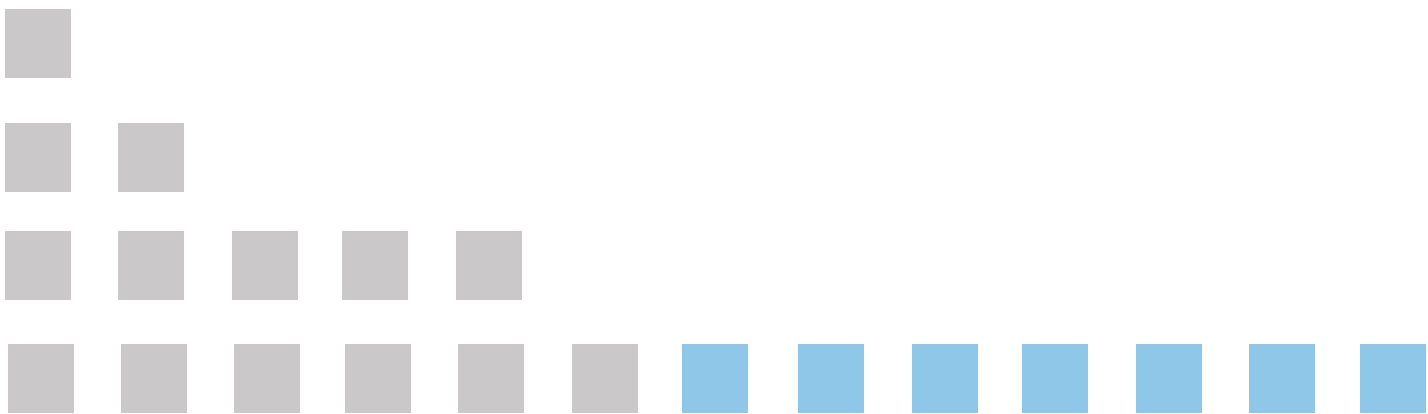


# Comprehensive Business Plan Checklist (DLT CBP)

Distributed Ledger Technology (DLT) Providers



# Stage 1

## Owners, Controllers and Sources of Funding

1. Provide details of Ultimate Beneficial Owners and Controllers.
2. Identify who the investors/founders are and/or funding.
3. Provide details of how the business will be funded through the stages of the application process and post authorisation.
4. Provide a chart illustrating the group structure, including details of business activities carried out by related group entities (if applicable) and details on which related group entities will be providing services to the applicant firm.
5. Where applicable, summarise the business of the applicant firm's controllers and related group entities as shown on the group structure chart.
6. Provide details of the source of the funds that will be injected into the applicant firm to support its proposed business activities.
7. Provide details on the source of wealth for each shareholder with evidence to support it.
8. Provide an assessment of how the proposed funds that are to be injected meet the relevant regulatory criteria for the types of regulatory capital according to any applicable legislation.

## Key Function Holders, Regulated Individuals and Substance

9. Include a table with board members and key function holders. Also include the location of board members and how many directorships they hold.
10. Detail how the applicant firm will ensure all persons who effectively run the firm or have other key functions are at all times fit and proper to do so.
11. Provide information of any identified Regulated Individuals.
12. Show how GFSC substance requirements will be met.
13. Set out what proportion of the directors, function holders and employees will be in Gibraltar.
14. Provide details on the Head of Compliance and their habitual location.

## Group Supervision (as applicable)

15. Where group supervision rules apply, provide an assessment of how these have been addressed and details of any assessment conducted.
16. Where risks could arise from the proposed group structure, explain what these could be, any possible or perceived conflicts of interests and how these have been mitigated.

## Related Party Transactions and Arrangements

17. Provide a breakdown of connected party agreements and the expected contractual arrangements under those agreements.
18. Demonstrate that an independent transfer pricing exercise has been carried out where products/services are shared across the applicant firm's group and/or related entities.
19. Explain what connected party transactions and balances will be created from any outsourced activities.

## Business Strategy and Model

20. Explain overall strategy, including:
  - a) strategic goal;
  - b) why the applicant firm has been established;
  - c) the rationale for establishing in Gibraltar;
  - d) the decision to carry on the business for which it is seeking authorisation; and
  - e) if part of a wider group, explain where it fits in with the group strategy, and provide details on the strategy for each of the business units in the group;
  - f) explain the key aspects of the applicant firm's group's business model, and dependencies; and
  - g) explain how the applicant firm's group makes profit and cash distribution across each of the business units and how it is allocated across the group.
21. Detailed description of proposed business, including:
  - a) regulated activities intended to be carried out;
  - b) any other activities that will be carried out, including any unregulated activities, technology-related services and/or advisory services;
  - c) geographical scope of operations and future expansion plans;
  - d) details of any agent(s) through which any services will be provided;
  - e) target markets and customer segmentation;
  - f) clients (include types, customer profile, sources, client base size);
  - g) products and services to be provided;
  - h) delivery channels (branches, internet, postal, agencies, subsidiaries);
  - i) maintenance of records;
  - j) promotion and marketing (initial and future);
  - k) details of any trading book activity;
  - l) details of any fees and how they are explained to the customer; and
  - m) whether the applicant will hold any client money.
22. Include details of all the above for all areas of regulated and unregulated business proposed.
23. Describe how the proposed business aligns to the scope of the permission applied for.

24. Explain the proposed position within the market and how the products and services to be provided compare to those of competitors, highlighting the competitive advantage and any unique selling proposition of the business proposals.
25. Detail the market research and competitor analysis that has been carried out and how the results support decisions for the business strategy.

## **Financial Resources and Capital Projections**

### **Capital**

26. Provide a description of capital considerations and compliance with any sector specific ratios/requirements (at authorisation and years 1-3 post authorisation).
27. Detailed assessment on how the applicant firm intends to hold sufficient regulatory capital to ensure an orderly, solvent winddown of its business. This includes holding sufficient risk- based capital in order to be able to absorb the crystallisation of material risks and still have sufficient capital remaining to trigger an orderly wind-down if necessary. An applicant firm will be expected to take account of:
  - a) the historical context of the business;
  - b) the applicant firm's current and future business strategy;
  - c) stress-testing scenarios and conditions as well as the triggers needed to identify such situations; and
  - d) key risks identified.

## **Business Model Viability**

28. For both applicant firm and group, include financial projections for five years and include breakdown by product type and year. This should include the income statement, balance sheet, cash flow and regulatory report summary.
29. Explain in detail the initial and long-term viability of the business model.
30. Explain in detail the key assumptions that support the projections and how these were arrived at, including analysis of historic performance, market or competitor analysis or other reasons for selecting these.
31. Provide stress scenarios to show what will be the effect of the key assumptions underpinning the business model and its viability not turning out as planned.
32. The applicant firm should bear in mind that significant stress impact may result from material over-success as well as from material under-achievement of plans.

## Stage 2

### Corporate Governance and Control

33. Details of proposed board structure including:
  - a) whether any board members are employed by a group entity (if applicable);
  - b) relevant skills and experience of board members; and
  - c) terms of reference for the board.
34. Set out which directors are executive and independent non-executive directors and the reasons as to why the balance is appropriate.
35. Set out the skills mix for the board and explain if at least two members of the board do not have expertise in any of the key areas of the business.
36. Explain the rationale for the appointment and suitability of members of the board, the Compliance Officer, and other individuals with Regulated Individual functions.
37. Describe the background and experience of everyone performing significant, influence-controlled functions, such as directors and senior managers.
38. Details of proposed sub-committee(s) and/or management structures and describe how these arrangements will operate in practice, including:
  - a) Committee and Management structure chart(s) with clearly indicated reporting lines, identification of the proposed key individuals driving the business and those senior management with details of their relevant skills, qualifications, and experience; and
  - b) Terms of reference for sub-committee(s).
39. Provide details of how the applicant firm will ensure they are appropriately monitoring and ensuring readiness for any forthcoming regulatory and legislative developments.
40. Explain how the GFSC's 'four eyes' requirements will be met.
41. Detail how GFSC's 'Mind and Management' criteria will be met.
42. Provide an overview of the intended structure, resources and reporting lines for Internal Audit.
43. Detail how conflicts of interest will be managed.
44. Provide an updated chart illustrating the group structure, including details of business activities carried out by related group entities (if applicable).
45. Detail how the system of governance will be reviewed internally.

### Business Continuity

46. Set out in detail what the applicant firm's main recovery plan would be and why these are considered feasible, including the financial and non-financial triggers in place to inform the applicant firm of a need

to execute the recovery plan. The recovery plan should seek to ensure continuity of the applicant firm's critical functions while also aiming for the recovery to a healthy capital position.

## IT Systems

47. Provide an overview of intended IT systems including details of operating systems, databases and applications that will support the core business processes.
48. Provide information on the applicant firm's control framework for managing the IT risks from doing business. This should start from authorisation and on an ongoing basis.
49. Where a firm outsources critical or important IT and related functions, explain how it will remain fully responsible for carrying out all of its obligations under the regulatory system and how it will oversee the delivery of these services.
50. Describe how the applicant firm will ensure resilience and the services can be continued in the event of failure of any counterparties (i.e., the retention of a copy on the firm's own servers).
51. Evidence how the above IT systems and governance must be fit for purpose and ready to support the planned business.
52. Provide details on whether the core IT systems that the applicant firm will use in its business will be:
  - a) new to the applicant firm or group;
  - b) existing systems already in use in the applicant firm or group, not requiring material amendment; and
  - c) partly existing systems and partly new systems or materially amended systems.
53. Provide information on whether the applicant firm's IT systems applications automatically interface with customers/counterparties.
54. Please provide an overview of the applicant firm's IT and security controls and procedures including details of cyber security reviews, internal audits etc.
55. Describe how systems and security access protocols will be maintained to appropriate high standards. All systems used should ensure the right level of access to authorised personnel with up-to-date monitoring systems.
56. Detail the ongoing and pro-active risk assessment of applications, underlying technology, and cybersecurity.

## Operational and Outsourcing Risk

57. Explain what activities will be outsourced and whether any of these are key activities to the applicant firm.
58. Provide details of outsourced providers.
59. Explain what due diligence has been conducted on these entities, including:

- a) whether they are connected to the entity, directors or shareholders;
  - b) whether they are they in good financial standing and the assessment carried out;
  - c) what experience they have in providing these services;
  - d) whether they provide services to other companies in the market;
  - e) whether they are regulated;
  - f) the proposed audit schedule and scope; and
  - g) how conflicts are being mitigated.
60. Detail any outsourcing of material functions and/or key services to third parties, including:
- a) business functions and IT activities & systems; and
  - b) external and intra-group outsourcing.
61. Detail of how any material outsourcing will be monitored and overseen, including details of the controls to be implemented for these arrangements.
62. Describe the measures in place to ensure that the outsourcing and outsource service provider(s) will comply with the relevant GFSC Outsourcing Guidance Note.
63. Explain how management proposes to oversee the outsourcing (identify which Regulated Individual is ultimately responsible for monitoring outsourcing) and what KPIs will be used to monitor this.
64. Explain how internal audit will be used to assess performance against contractual arrangements and identify risks on a timely basis.
65. Explain what arrangements are being implemented to adequately protect the applicant firm from financial loss.
66. Explain what stress testing has been performed on the expected outstanding balances. Comment on whether additional capital needed to protect the authorised entity from financial loss.
67. Explain how the applicant firm will ensure that they have an independent copy of all the data that the outsourced service provider will have and how this will be arranged.
68. Explain what Business Continuity Plan will be in place in the event that the outsourced service provider is unable to continue providing services.

## **Systems and Controls/Risk Management**

### **Risk**

69. Provide information on the inherent and residual risks expected to be included within the risk register together with mitigating actions and an explanation of the mitigating systems, process and controls.

### **Risk Controls**

70. Explain the approach to risk management and an overview of risk management function.

71. Explain the approach to risk culture and governance (to include detail on independence of risk management function).
72. Explain the approach to setting and articulating the risk appetite of the applicant firm.
73. Explain the risk management framework and the approach to staff engagement and communications.
74. Explain how the risk reporting to Risk Committee will work.
75. Explain what resources will be dedicated to risk management.
76. Explain how the recording and escalation of risks and risk events (and the follow through) will operate.
77. Explain how the risk register review will work – frequency and by whom?
78. Explain how Alerts/Key Risk Indicators (KRIs) are defined, triggered, escalated and managed.

## **Safeguarding of Customer Assets**

79. Applicant firm must provide details the procedures for private key management, including:
  - a) how keys/seeds are created by the applicant firm;
  - b) ensuring the key/seed is generated using a random process;
  - c) implementing multi-signature arrangements to ensure that there is no single point of failure or reliance on a single party to initiate transactions;
  - d) ensuring that redundant keys are assigned, for example 2 out of 3, or 3 out of 5 required to sign;
  - e) ensuring that the multisig keys are distributed across several geographical locations, and different organisational entities if possible;
  - f) storing backups in separate geographical locations, accessible in the event that it is required as part of an applicant firm's business continuity and disaster recovery plans;
  - g) transactions are signed in a fully offline environment, and only broadcast to the network when required, limiting the possibility of a cyber-attack;
  - h) strong physical security measures to protect keys held offline;
  - i) background checks on key holders;
  - j) sign-off from separate individuals prior to keys signed by the key holders;
  - k) existence of a key compromise protocol; and
  - l) external security audits.
80. Where an applicant firm uses third parties to store or safeguard customer assets it will need to demonstrate that it has taken all reasonable steps to ensure that the systems and controls used by the third-party provider(s) comply with relevant guidance note and any other obligation imposed on the applicant firm. This includes, but not limited to:
  - a) the applicant's firm's due diligence and risk assessment on the third-party providers;
  - b) evidencing that customer assets do not represent property of an applicant firm and must therefore be protected from third-party creditors of an applicant firm;



- c) evidencing an appropriate contractual relationship with its customers that is reflective of these arrangements is in place;
- d) obtaining formal acknowledgement that all fiat and virtual assets held by the custodian are held in trust and that the custodian is not entitled to combine the amounts with any others or to exercise any right of set-off or counterclaim against such assets in respect of any debt owed to the custodian by the applicant firm;
- e) details on how the applicant firm will ensure that customer assets must be held separately from an applicant firm's own assets and must be clearly designated and easily identifiable as customer assets; and
- f) the arrangements in place to reconcile client funds in line with GFSC Guidance Notes.

81. Detail the procedures in place governing the distribution of client assets between hot and cold storage.

### **Financial Crime controls (AML/CFT)**

82. Provide details of the financial crime controls, compliance with Anti-Money Laundering/Combating the Financing of Terrorism ("AML/CFT") requirements and due diligence procedures/processes.

83. Provide details of the key procedures in place to counter the risk that it might be used by others to further financial crime. This includes any offence involving: fraud or dishonesty; misconduct in, or misuse of information relating to, financial markets; handling the proceeds of crime; and bribery and corruption offences.

This section should include as a minimum:

- a) Steps that the applicant firm will take to prevent it from being used to further fraud;
- b) Steps that the applicant firm will take to ensure its Money Laundering Reporting Officer ("MLRO") knows their duties and is able to perform their role effectively, with regard to 'know your business' information;
- c) Anti-money laundering training the applicant firm will provide for its staff;
- d) Steps that the applicant firm will take to assess its exposure to the risk of being used for money laundering and terrorist financing;
- e) 'Know your customer' procedures, including additional due diligence to be undertaken in relation to high-risk customers/sources of funds;
- f) Procedures for monitoring transactions and reporting details of suspicious transactions; and
- g) How the applicant firm will ensure that it complies with anti-terrorist financing requirements.

## Stage 3

### Non-financial Resources

84. Provide an Organogram that shows all key staff and roles, including all Controllers and Close Links<sup>1</sup>.
85. Explain how the proposed staff numbers and composition are proportionate to the size and activities of the applicant firm and the products and/or services being offered.
86. Set out how the applicant firm intends to increase its resources and employees over the business planning horizon in alignment with the applicant firm's business plan.

### Compliance

87. Details of the compliance structure, in particular, the resources and reporting lines for compliance.
88. Explain use of any third-party compliance firm to assist in this area, and if so, provide the details of this arrangement and set out the oversight that is in place.
89. Set out what quality assurance processes are in place.
90. Details of the key risks that have been identified and how these risks will be mitigated.
91. Explain whether a risk-based compliance monitoring programme is in place.

### Conduct of Business

92. Provide detail in respect of the following:
  - a) How the applicant firm proposes to ensure that it complies with conduct of business requirements in all territories in which it proposes to do business.
  - b) Detail how the applicant firm has considered their customer target market and if they represent fair value and appropriate for type of customer.
  - c) How the conduct of business and principles have been incorporated into the applicant firm's values and business plan.
  - d) What controls have the applicant firm put in place across the product lifecycle to capture all foreseeable harm and what steps will they take to mitigate such harm at each stage of the customer journey.
  - e) How the applicant firm proposes to assess and develop the conduct of business knowledge and competence of its staff.
  - f) What Management Information ("MI") will be provided to allow the business to proactively identify and manage any conduct risks.

---

<sup>1</sup> As defined in s.3(3) of the Financial Services Act 2019.

- g) How will the MI be reported to the board and senior management to provide clarity and act as a driver for high impact discussions, on the most material conduct risks.
93. Explain how conduct risks will be identified and managed.
94. Applicant firms must be able to demonstrate how they will:
- a) instil a culture within the firm where the customer outcome is the primary consideration;
  - b) appropriately and accurately identify and measure conduct risks and limit exposure;
  - c) proactively manage emerging risks to customer outcomes and assess these within their business; and
  - d) consistently measure and deliver good outcomes for their customers.
95. Outline any marketing and/or financial promotions to be used and/or planned to be used.
96. Detail how new clients are obtained.
97. Explain whether existing clients are to be acquired from another firm.
98. Provide details of the Key Performance Indicators (“KPIs”) that will be used, including product KPIs.
99. Detail the ongoing client relationship, including a step-by-step guide of the ‘sale/service’ journey and the client after-sales care process.
100. Provide an overview of the Product Approval process (as applicable).
101. Provide an overview of the Claims and Complaints Handling processes and how service levels will be monitored.

## **Market Integrity**

102. Provide details on how the applicant firm has considered market integrity issues, both at the level of the individual market they are offering, and that of the overall virtual asset marketplace in which they participate.
103. Details of the tools, systems and controls in place to identify, mitigate and/or prevent market manipulation and insider trading.
104. Detail the procedures setting out how the applicant firm will identify, monitor, mitigate and prevent market abuse and insider trading from occurring on their platform.

## **Consumer Duty (as applicable)**

105. Detail of how the Consumer Duty requirements will be met. The Duty should feature throughout an applicant firm’s Business Plan and proactively demonstrate how it will:
- a) put consumers at the heart of its business and focus on delivering good outcomes for customers;
  - b) provide products and services that are designed to meet customers’ needs, that provide fair value, that help customers achieve their financial objectives and which do not cause them harm;

- c) communicate and engage with customers so that they can make effective, timely and properly informed decisions about financial products and services and can take responsibility for their actions and decisions;
- d) not seek to exploit customers' behavioural biases, lack of knowledge or characteristics of vulnerability;
- e) support its customers in realising the benefits of the products and services they buy and acting in their interests without unreasonable barriers;
- f) consistently consider the needs of its customers, and how they behave, at every stage of the product/service lifecycle;
- g) continuously learn from its growing focus and awareness of real customer outcomes;
- h) ensure that the interests of its customers are central to its culture and purpose and are embedded throughout the organisation;
- i) monitor and regularly review the outcomes that its customers are experiencing in practice and take action to address any risks to good customer outcomes; and
- j) ensure that its board, or equivalent governing body, takes full responsibility for ensuring that the Duty is properly embedded within the applicant firm, and senior managers are accountable for the outcomes its customers are experiencing.

106. Identification of Consumer Duty Champion.

## Operational Resilience<sup>2</sup> (as applicable)

### Strategies, processes and systems

107. Demonstrate how the applicant firm will have in place sound, effective and comprehensive strategies, processes, and systems that enable it to:
- a) identify its important business services;
  - b) set an impact tolerance for each important business service; and
  - c) identify and address any risks to its ability to ensure it can remain within its impact tolerance for each important business service in the event of a severe but plausible disruption to its operations.

### Mapping

108. Demonstrate how the applicant firm will identify the people, processes, technology, facilities, and information that is required to deliver each Important Business Service (including where third parties provide the resources).

---

<sup>2</sup> Financial Services (Operational Resilience) Regulations 2023

## Scenario Testing

109. Demonstrate the testing of the applicant firm's ability to remain within its impact tolerance for each of its important business services in the event of a severe but plausible disruption of its operations.