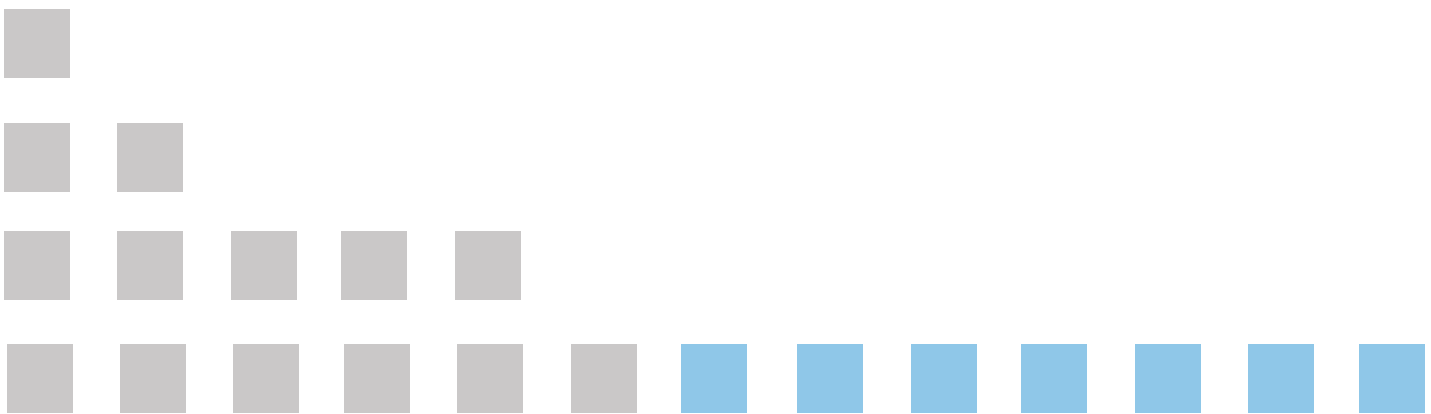


# Comprehensive Business Plan Checklist (Investment CBP)

Investment Firms



# 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 relevant 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 applicant 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.
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 and 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, regulatory classification, sources, client base size);
  - g) products and services to be provided;
  - h) delivery channels (branches, internet, postal, agencies, subsidiaries);
  - i) pricing;
  - j) maintenance of records;
  - k) promotion and marketing (initial and future);
  - l) funding profile and diversification;
  - m) details of any trading book activity;
  - n) details of any fees and how they are explained to the customer; and
  - o) 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.
26. Provide information on the main territories where the applicant firm wishes to do business and if applicable, whether any passporting notifications are needed.
27. If any of the above territories are not the United Kingdom, and if applicable, provide a legal analysis of how this business complies with the jurisdiction's rules for non-admitted business.
28. If the applicant intends, after authorisation, to apply to carry on any regulated activities in the UK, such as providing cross border services, and/or establishing a branch, provide details of this.

## **Financial Resources and Capital Projections**

### **Capital**

29. Provide a detailed assessment of how the proposed funds that are to be injected meet the relevant regulatory criteria for the relevant types of regulatory capital according to any applicable legislation.
30. Provide an estimate of the applicant firm's solvent run-off costs.
31. Provide an assessment of whether any aspects of the applicant firm's business, its operations or contractual agreements result in risks which are not appropriately covered by the relevant capital. Where additional non-standard risks arise, explain how the applicant firm proposes to capitalise for these.
32. Provide a description of capital considerations and compliance with any sector specific ratios/requirements (at authorisation and years 1-3 post authorisation).

### **Liquidity**

33. Provide a summary of Liquidity Risk Management and Stress Testing Results.
34. Provide a full and complete review of the applicant firm's liquidity position, access to liquidity, composition of its liquid assets, contractual and deposit assumptions, and secured and unsecured funding profiles under business-as-usual conditions and under the prescribed stress tests.
35. Provide a statement of the applicant firm's liquidity risk appetite.
36. Provide details on the assumptions used for liquidity stress test scenario development and assumptions defining operational constraints on stress testing and management remedial actions.

## Business Model Viability

37. For both applicant firm and group, include financial projections for five years and include breakdown by product type/class and year. This should include the income statement, balance sheet, cash flow and regulatory report summary.
38. Explain in detail the initial and long-term viability of the business model.
39. Explain in detail the key assumptions of the business plan and those 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.
40. 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.
41. 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

42. 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.
43. Set out which directors are executive and independent non-executive directors and the reasons as to why the balance is appropriate.
44. 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.
45. Explain the rationale for the appointment and suitability of members of the board, the Compliance Officer, and other individuals with Regulated Individual functions.
46. Describe the background and experience of everyone performing significant, influence-controlled functions, such as directors and senior managers.
47. 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).
48. Provide details of how the applicant firm will ensure they are appropriately monitoring and ensuring readiness for any forthcoming regulatory and legislative developments.
49. Explain how the GFSC's 'four eyes' requirements will be met.
50. Detail how GFSC's 'Mind and Management' criteria will be met.
51. Provide an overview of the intended structure, resources and reporting lines for Internal Audit.
52. Detail how conflicts of interest will be managed.
53. Provide an updated chart illustrating the group structure, including details of business activities carried out by related group entities (if applicable).
54. Detail how the system of governance will be reviewed internally.

## Business Continuity

55. 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

56. Provide an overview of intended IT systems including details of operating systems, databases and applications that will support the core business processes.

57. 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.

58. Where an applicant 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.

59. 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 applicant firm's own servers).

60. Evidence how the above IT systems and governance must be fit for purpose and ready to support the planned business.

61. 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.

62. Provide information on whether the applicant firm's IT systems applications automatically interface with customers/counterparties.

63. Please provide an overview of the applicant firm's IT and security controls and procedures including details of cyber security reviews, internal audits etc.

64. 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.

65. Detail the ongoing and pro-active risk assessment of applications, underlying technology, and cybersecurity.

## Operational and Outsourcing Risk

66. Explain what activities will be outsourced and whether any of these are key activities to the applicant firm.
67. Provide details of outsourced providers.
68. 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 they regulated;
  - f) the proposed audit schedule and scope; and
  - g) how conflicts are being mitigated.
69. 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.
70. Detail of how any material outsourcing will be monitored and overseen, including details of the controls to be implemented for these arrangements.
71. Describe the measures in place to ensure that the outsourcing and outsource service provider(s) will comply with the relevant GFSC Outsourcing Guidance Note.
72. 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.
73. Explain how internal audit will be used to assess performance against contractual arrangements and identify risks on a timely basis.
74. Explain what arrangements are being implemented to adequately protect the authorised entity from financial loss.
75. Explain what stress testing has been performed on the expected outstanding balances. Comment on whether additional capital needed to protect the applicant firm from financial loss.
76. 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.
77. 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

78. 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

79. Explain the approach to risk management and an overview of risk management function.
80. Explain the approach to risk culture and governance (to include detail on independence of risk management function).
81. Explain the approach to setting and articulating the risk appetite of the applicant firm.
82. Explain the risk management framework and the approach to staff engagement and communications.
83. Explain how the risk reporting to Risk Committee will work.
84. Explain what resources will be dedicated to risk management.
85. Explain how the recording and escalation of risks and risk events (and the follow through) will operate.
86. Explain how the risk register review will work – frequency and by whom?
87. Explain how Alerts/Key Risk Indicators (KRIs) are defined, triggered, escalated and managed.

### System and Process Requirements

88. Demonstrate that the applicant firm:
- a) has established internal control mechanisms, administrative and accounting procedures, documented its systems and processes, and recorded all transactions which are subject to the Financial Services (Investment Firms) (Prudential Requirements) Regulations 2021 (“the Prudential Requirements Regulations”), in a manner that enables the GFSC to verify that compliance; and
  - b) maintains procedures to prevent the applicant firm avoiding the K-CON own funds requirement in accordance with regulation 49 of the Prudential Requirements Regulations.

## Financial Crime controls (AML/CFT)

89. 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.
90. 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

91. Provide an Organogram that shows all key staff and roles, including all Controllers and Close Links<sup>1</sup>.
92. Explain how proposed staff numbers and composition are proportionate to the size and activities of the applicant firm and the products and/or services being offered.
93. 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

94. Details of the compliance structure, in particular, the resources and reporting lines for compliance.
95. 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.
96. Set out what quality assurance processes are in place.
97. Details of the key risks that have been identified and how these risks will be mitigated.
98. Explain whether a risk-based compliance monitoring programme is in place.

### Conduct of Business

99. 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; and

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<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.
100. Explain how conduct risks will be identified and managed.
101. 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.
102. Outline of any marketing and financial promotions to be used and/or planned to be used.
103. Detail how new clients are obtained.
104. Explain whether existing clients are to be acquired from another firm.
105. Provide details of the Key Performance Indicators (“KPIs”) that will be used, including product KPIs.
106. Detail the ongoing client relationship, including a step-by-step guide of the ‘sale/service’ journey and the client after-sales care process.
107. Provide an overview of the Product Approval process (as applicable).
108. Provide an overview of the Claims and Complaints Handling processes and how service levels will be monitored.

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

109. Detail 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.

110. Identification of Consumer Duty Champion.

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

### **Strategies, processes and systems**

111. 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**

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

### **Scenario Testing**

113. 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.

### **Group Resilience**

114. A Gibraltar Solvency 2 applicant firm or a CRR group entity must demonstrate that they have in place sound, effective and comprehensive strategies, processes and systems that enable it adequately to:
- a) identify each important group business service;
  - b) set an impact tolerance for each important group business service; and

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

- c) assess whether each member of the group providing each important group business service could remain within the impact tolerance set for that important group business service in the event of a severe but plausible disruption to its operations.