



payments and crypto network

Preparing an Application for Authorisation

A series of guides addressing common issues in relation to preparing an application for authorisation.

Guidance is provided for firms and is not intended as legal advice.

Guide 11: Preparing a 'Regulatory Business Plan'

Background

In an application for authorisation, Electronic Money Institutions (“EMI”) and Payment Institutions (“PI”) are required to submit a significant amount of information, essentially describing the services that will be offered and the arrangements that will be operated to support service provision. The required information is detailed in the respective FCA application form - there are different application forms for EMI and PI applications.

The application forms comprise different sections including: a ‘programme of operations’ (to describe the services that will be provided), business plan (covering the market proposition and financial forecast), structural organisation (the roles, business functions and outsourcing arrangements), safeguarding (the arrangements to safeguard customer funds), and governance (covering internal control, risk management and operation of the Board). There are also a number of IT and fraud related sections that will also need to be addressed. The preparation of a **Regulatory Business Plan** will help the applicant firm collate all of this information in a single document. This will facilitate a more efficient process for preparing the application content and should also assist the FCA in their assessment of the application.

What is a Regulatory Business Plan?

A Regulatory Business Plan (“RBP”) is a document that can be prepared in order to collate the majority of the information that is required to be submitted to the FCA as part of an application for authorisation. The RBP should sit at the centre of the application package and be accompanied by the completed FCA application forms and necessary supporting documents.

The structure of the RBP should align with the FCA application form in order to make the preparation and review process easier (references in the RBP to the relevant sections in the FCA application form is helpful).



Note that applicants are not required to submit many documents in their initial application package, although they should be in place and available to submit to the FCA, if requested, during the assessment stage. The RBP should describe these documents and how they are used within the business.

Why prepare a Regulatory Business Plan?

The alternative to preparing an RBP is to prepare a set of separate documents (which some regulators prefer). Working on a single central document when collating an application for authorisation is significantly easier than preparing separate documents and trying to ensure consistency between them. Feedback from the FCA has also confirmed that a well prepared RBP, with consistent and coherent descriptions of the proposed business and arrangements, supports an efficient assessment process.

What level of detail should be included?

The RBP should provide sufficiently detailed responses to the questions and information requests included in the relevant FCA application form. It is important to provide enough detail to enable the FCA to assess whether the firm is prepared for authorisation. For example, your aim should be to outline the arrangements and high-level policies and procedures that will be operated but not go into too much procedural detail, at this stage (the FCA can request additional information or documents during the assessment in order to get to the next level of detail, if they require – and very likely will).

The arrangements described in the RBP should reassure the FCA that the firm is ready, willing and able to provide regulated activities. On average an RBP would extend to approx. 80 – 100 pages. Longer documents are perfectly acceptable, but do not be tempted write more unless you are adding relevant content that adds value to the application. Avoid repeated content or content that has been pasted from operational documents with no context. Reference any supporting documents that are to be submitted as part of the application rather than copying content from them and pasting it into the RBP.

It should also be noted that the IT side of the application is likely to constitute nearly 40 – 50% of the effort and content involved in the application. It is therefore important to ensure that the relevant IT functions have the time, resources and inclination to participate in the required work.

It is important to note that the written content should be consistent with the financial forecast. The subject of preparing a financial forecast is addressed in the ***Applications for Authorisation Guide 8 – Financial forecast***.

How to proceed?

The points detailed below should help you start the process of preparing an application and, in particular, developing your RBP:

- As the starting point for the application, agree the service description and service development roadmap and required permissions. Refer to the ***Applications for Authorisation Guide 1 – What permissions do I need?*** and ***Guide 2: What service developments should be described in an application for authorisation?***

- Prepare the RBP structure, capturing the relevant sections from the FCA application form (EMI or PI versions) and assign the various parts to internal stakeholders for initial contribution.
- Start developing the policies and procedures to be maintained by the applicant firm, as required to deliver the proposed regulated services. A number of supporting documents should be prepared in parallel to drafting the RBP, for example the Compliance Manual, AML Manual, Risk Register, Compliance Monitoring Programme. The drafting of these documents will help the applicant firm develop the necessary content for the RBP (regardless of the fact that these documents are not submitted as part of the initial application pack).
- Ensure the participation of the senior managers and Board in the drafting the RBP, or at least the key arrangements being described therein. The statements made in the RBP will be interrogated by the FCA during their assessment and will ultimately form the basis of the firm's authorisation. You should therefore ensure that the descriptions are an accurate reflection of how the business will operate.
- Commence work to deliver the arrangements that are being described in the RBP, for example, start recruitment for key roles, negotiations with suppliers / partners and outsourced service providers, identify a suitable head office location and start the (long) process to open a safeguarding bank account (and a business bank account, if one is not already open).
- Distribute the EMD Individual Forms and Qualifying Holdings Forms so that responses can be prepared and information gathered in good time. These forms require detailed information and the submission of supporting documents. Receiving completed forms typically takes quite a while.

The preparation of the RBP will take time; it is an iterative process that will require involvement from all parts of the business. The process of agreeing the content will force some critical thinking of the business model, proposed arrangements, resourcing, etc. and the process should therefore derive significant value for the business.

Be prepared to justify to the FCA any statement made in the RBP and provide supporting evidence whenever a reference is made to a policy, procedure or document.

Once authorised the RBP will be a useful reference document for the business to move forward as a regulated firm!