

Guidelines for Submitting a Business Plan to the Federal Reserve Bank of New York

For use by potential financial services customers that are
International Financial Entities or International Banking Entities

The Federal Reserve Bank of New York (“FRBNY”) has prepared this guide to assist potential FRBNY customers that are licensed as International Financial Entities or International Banking Entities in submitting business plans required by FRBNY in connection with requests for an account or services. The business plan must contain the information outlined below and cover a three-year period. All documents included must be written or translated into English.

FRBNY will review the submitted documentation to determine whether it is satisfactory for the purpose of assessing the risk posed by the customer if FRBNY grants access to an account or services. FRBNY may request supplemental information as necessary.

FRBNY based these guidelines on the guidance set forth in the Interagency Charter and Federal Deposit Insurance Application (the “Interagency Application”). Although the information requested by FRBNY does differ from the information outlined in the Interagency Application, customers may find it useful to refer to the Interagency Application for additional high-level guidance on submitting a business plan that meets FRBNY’s expectations because these guidelines overlap significantly with the business plan guidelines that accompany the Interagency Application.¹

I. Description of Business

- A) Describe the institution's business and any special market niche, including the institution’s products, market, domicile, services, and nontraditional activities.
- B) If in a holding company structure, discuss the operations of the organization, including a brief detail of the organizational structure and interaction between the institution and its affiliates.
- C) Describe the extent, if any, that there are or will be transactions with affiliated entities or persons. Include terms.
- D) Discuss the legal form and stock ownership of the institution and any investment in subsidiaries or service corporations.

¹ The Interagency Application can be found using the following link: <http://www.fdic.gov/formsdocuments/InteragencyCharter-InsuranceApplication.pdf>. The business plan guidelines for the Interagency Application begin on page 18 (page 21 of the .pdf file).

- E) For an entity that is already in operation, describe the present financial condition and current resources, such as office network, staff and customer base. Specifically discuss the strengths and weaknesses.
- F) Describe the proposed location, office quarters, and any branch structure.
- G) Discuss any growth or expansion plans, including additional branches, other offices, mergers, or acquisitions.

II. Marketing Plan

A marketing plan should provide in detail factual support that the institution has reasonable prospects to achieve the revenue projections, customer volume, and key marketing and income targets. The analysis should be based on the most current data available, and the sources of information should be referenced. This section should contain an in-depth discussion of the major planning assumptions for the market analysis, economic, and competitive components used to develop the plans, objectives, and the basis for the assumptions.

A) Product Strategy

1. List and describe the planned products and services, including activities conducted through any subsidiaries. Discuss any plans to engage in any subprime or speculative lending, including plans to originate loans with high loan-to-value ratios and/or low debt service coverage ratios.
2. Discuss how the institution will offer products and services over three years, indicating any variation in the different market areas or distribution channels, and include the time frame for the introduction and the anticipated cost associated with each.
3. If applicable, describe the institution's plans to engage in any secondary market/mortgage banking activity, including loan participations.
4. Describe the primary sources of loan and deposit customers and the major methods to solicit them. If using brokers or agents, provide full details of the nature and extent of all such activities.
5. Describe any arrangements with e-commerce businesses (for example, links to another's Web site to shop, order, or purchase goods and/or services online).

B) Market Analysis

1. Describe the intended target market and the geographical market area(s).
2. Describe the demographics of the target market population (for example, age, education, and occupation).

C) Economic Component

1. Describe the economic forecast for the three years of the plan. The plan should cover the most likely scenario and discuss possible economic downturns.
2. Indicate any national, regional, or local economic factors that may affect the operations of the institution.

D) Competitive Analysis

1. Compare and contrast the institution's product strategy with its principal competitors in the target market(s). Include expected results in terms of relative strength, market share, and pricing.
2. Discuss the overall marketing/advertising strategy, including approaches to reach target market through the marketing of brand, products, and services. Outline the specific medium that will be used, including timing and level of advertising efforts.
3. Discuss potential competition in the target market(s).

III. Management Plan - Directors and Officers

- A) Provide a list of the organizers, proposed directors, senior executive officers, and any individual, or group of proposed shareholders acting in concert that will own or control 10 percent or more of the institution's stock. For each person listed, attach the Personal History Statement included with your institution's license application submitted to the local licensing and/or banking authority in the jurisdiction in which the IBE/IFE seeks to operate. The personal history statement should also include an audited Statement of Financial Condition (SFC) that includes explanatory notes and details that reflect each listed person's most recent financial condition (assets, liabilities and net worth). At a minimum, FRBNY will accept an unaudited personal SFC that has been '**Reviewed**' by a Certified Public Accountant (CPA) or independent accounting firm, in the event an audit of the SFC cannot be performed. SFC must reflect the financial condition of the individual within 6 months before the date all required documents are submitted to the FRBNY.
- B) Provide copies of current passports of individuals that own or control 10 percent or more of the institution's stock (if not already included with the Personal History Statement).
- C) Describe the organizational structure and provide an organizational chart, indicating the number of officers and employees. Describe the duties and responsibilities of the senior executive officers. Describe any management committees that are or will be established.
- D) Discuss the institution's plans to address management succession, including any management training program or other available resources.

IV. Financial Management Plan

A) Capital and Earnings

1. Discuss sources of capital at inception, if applicant recently became operational.
2. Describe composition of initial and projected capital (e.g., percentage contribution of preferred, common shares, etc.).
3. Discuss the capital goals and the means to achieve them.
4. Discuss the earnings goals in terms of return on assets, net interest margin, or

other profitability measurements, and summarize the strategies to achieve those goals.

5. Discuss the plan for raising capital and for financing future growth.
6. Discuss the adequacy of the proposed capital structure relative to internal and external risks, planned operational and financial assumptions, including technology, branching and projected organization and operating expenses. Present a thorough justification to support the proposed capital, including any off-balance-sheet activities contemplated, if applicable.
7. Describe the debt service requirements for any debt that will be issued at the holding company level to capitalize the institution, if applicable.
8. Summarize the dividend policy, if any.

B) Liquidity and Funds Management

1. Discuss the institution's plan to monitor and control its liquidity risk, including funding sources (deposits, borrowings). Include holding company support, if any.
2. Describe any plans to borrow funds from any financial institutions or other sources, including holding company support, if any.
3. Discuss the type of investment securities the institution plans to purchase.

C) Sensitivity to Market Risk

1. Discuss the institution's objectives, strategies, and risk tolerance for interest rate risk.
2. Discuss how the institution will identify and measure interest rate risk.

D) Credit Risk

1. Discuss how the institution will identify and measure credit risk.
2. Describe the loan review program, addressing independence, scope, frequency, and staff qualifications.
3. Describe the methodology used to determine the allowance for loan and lease losses.

V. Financial Condition and Projections

- A) Provide three years of audited financial statements and the most recent unaudited interim financial statements of the institution and the consolidated statements of the ultimate parent for the same time period, if available. If your institution recently became operational and does not have audited or unaudited financial statements, you may provide a pro forma balance sheet which should reflect the most current capitalization of the institution.
- B) Provide the mandated capital requirements by the local banking or regulatory authority and the extent to which the institution meets, or fails to meet, such capital requirements.
- C) Provide quarterly balance sheet and income statement projections for the next three years of operations. The projected balance sheet should include details regarding the make-up of assets, liabilities (including deposits) and capital. The projected income statement should include the make-up of revenues and expenses for the period covered.

Moreover, the financial projections should be presented in two ways: (1) showing all amounts in US dollars (\$) and (2) as a percentage of total assets.

- D) Provide a detailed description of all of the assumptions used to prepare the projected statements, including the assumed interest rate scenario, start-up costs, activity volumes, expected returns, and expected timeframe to introduce each new product and/or service.
- E) Provide the basis for the assumptions used for noninterest income and noninterest expense.