



INTERNATIONAL FINANCIAL SERVICES COMMISSION

REGULATORY GUIDELINES: LA N° 1, 2018

**GUIDELINES FOR THE ESTABLISHMENT OR ACQUISITION OF AN OVERSEAS BRANCH,
SUBSIDIARY OR REPRESENTATIVE OFFICE**

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BRANCH, SUBSIDIARY, OR REPRESENTATIVE OFFICE**

1. INTRODUCTION

- 1.1.** The International Financial Services Commission (the “*Commission*”) is responsible for the licensing, regulation and supervision of firms engaged in the conduct of international financial services in and from within Belize pursuant to International Financial Services Commission Act, Chapter 272 of the Laws of Belize, Revised Edition 2011 (the “*Act*”).

The Commission has the duty, in collaboration with its licensees, to promote and maintain high standards of conduct and management in the provision of international financial services.

All licensees are expected to adhere to the Commission’s licensing and other requirements and ongoing supervisory programmes, including periodic on-site inspections, and required regulatory reporting. Licensees are also expected to conduct their affairs in conformity with all other legal requirements in Belize.

2. PURPOSE

- 2.1.** These Guidelines outline the Commission’s approach to authorisation, requirements and conditions that the Commission will apply in assessing applications for the establishment or acquisition of an overseas branch, subsidiary, or representative office.

3. APPLICABILITY

- 3.1.** These Guidelines apply to all licensees.

4. APPROACH TO OUTWARD AUTHORISATION

- 4.1.** Applications for outward authorisation should be submitted in writing to the Commission. The following factors will be considered:

4.1.1. With regards to the licensee (the “applicant”): -

- (a) the size, nature, and reputation of the applicant;



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- (b) the fitness, propriety & managerial capacity of the applicant to expand its business overseas in a prudent and reputable manner;
- (c) the business record and experience of the applicant;
- (d) the nature and sufficiency of the financial resources of the applicant to provide continuing financial support to a branch, subsidiary, or representative office overseas, should it be necessary. The financial condition and future requirements of the entity in terms of injections of capital and other financial support will also be considered to ensure that there will not be undue hardship on the financial resources of the applicant;
- (e) the history of compliance of the applicant with legal requirements in Belize and Commission directives, requirements, and guidelines;
- (f) the applicant must have showed by the quality of their operations in Belize that they can assume the role of parent to an overseas branch, subsidiary, or representative office. Hence, as a rule, the Commission requires that the:
 - (i) applicant be in good standing with the Commission at the time of application to set up a branch, subsidiary, or representative office; and
 - (ii) applicant has conducted business in Belize over a period which allows the Commission to assess its readiness to set up an overseas branch, subsidiary, or representative office.
- (g) exceptions to the requirements of (f) above may be made in instances where:
 - (i) the applicant was granted approval at the time of its licensing to set up overseas operations; or
 - (ii) the applicant's parent is of enough financial strength and has given its undertaking to support the applicant's operations in Belize and overseas.

4.1.2. With regards to the proposed overseas branch, subsidiary or representative office: -



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- (a) the soundness and feasibility of the business plan;
- (b) the supervisory regime of the host country, particularly its implementation of international regulatory standards and codes; and
- (c) the character, competence, and experience of those who will run the overseas branch, subsidiary, or representative office.

5. SUPERVISION REQUIREMENT

5.1. The Commission must have the ability to review all activities conducted by its licensees, either directly or indirectly (through branches, subsidiaries, or representative offices) and activities conducted at both domestic and foreign offices.

5.1.1. On an ongoing basis, the Commission aims to ensure that entities within a group: -

- (a) are adequately organized;
- (b) have adequate risk management systems and appropriately identify, limit and monitor risks inherent in their business activities;
- (c) comply with capital and risk management requirements; and
- (d) observe reporting duties and other requirements of the Commission and the host supervisory/regulatory authority.

5.2. Effective supervision of overseas branches, subsidiaries and representative offices cannot be achieved without the host regulator's cooperation in the exchange of supervisory and other information. Hence, the Commission may require that the host regulator sign a Memorandum of Understanding with the Commission as a condition of final approval to the establishment of a branch, subsidiary, or representative office.

5.2.1. To further ensure the conduct of effective supervision, the Commission will not approve applications for the establishment of branches, subsidiaries, or representative office abroad unless: -

- (a) the host regulator has no objection to its establishment; and
- (b) the mind & management of the operations are conducted from the location of the licensee in Belize.



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6. REQUIREMENTS FOR ESTABLISHING AN OVERSEAS BRANCH

6.1. Applications to set up an overseas branch abroad should comprise of the following:

- 6.1.1.** An application letter advising of: -
- (a) the purpose/rationale for setting up a branch;
 - (b) the proposed name of the branch; the proposed location (i.e. identification of the host jurisdiction) and whether physical presence will be kept at that location; and
 - (c) the principal activities which it seeks to carry on through the branch and the targeted clients;
- 6.1.2.** A comprehensive business plan of the branch (including primary business activities, projected financial statements, inclusive of balance sheet, profitability, etc., for the first three years of business activity);
- 6.1.3.** An indication of the level of the applicant's involvement and participation in managing and monitoring the business of the branch, (e.g. management and staff members performing duties);
- 6.1.4.** The pre-and post-acquisition organisational chart of the applicant's group;
- 6.1.5.** The proposed management structure (e.g. any specialised committees, etc.) and the proposed ownership structure, inclusive of KYC documentation for each individual proposed as part of the management structure and ownership structure of the branch (i.e. a properly completed, notarized and apostilled biographical affidavit, a notarized and apostilled proof of identification and proof of address, two character references, one financial reference, curriculum vitae, evidence of qualifications, due diligence checks and a police certificate);
- 6.1.6.** Information on the statutory auditors (i.e. name and address of proposed auditors and, where appropriate, details of arrangements for the review of the operations of the branch);



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- 6.1.7.** Information on the business rules and internal organization;
- 6.1.8.** Board of Directors' Resolution authorising the establishment of the branch; and
- 6.1.9.** A letter from the host regulator showing their approval or non-objection to the establishment of a branch in their country.

7. REQUIREMENTS FOR ESTABLISHING AN OVERSEAS SUBSIDIARY

7.1. Applications to set up a subsidiary abroad should comprise of the following:

- 7.1.1.** An application letter advising of: -
 - (a) the proposed name of the subsidiary; the proposed location (i.e. identification of the host jurisdiction) and whether it would maintain physical presence at that location;
 - (b) the purpose/rationale for setting up the subsidiary;
 - (c) the short and long-term objectives and business strategy of the subsidiary; and
 - (d) the principal activities/services which the subsidiary seeks to provide or engage in, including its targeted clients;
- 7.1.2.** A comprehensive business plan of the subsidiary (including primary business activities, projected financial statements, inclusive of balance sheet, profitability, etc., for the first three years of business activity);
- 7.1.3.** The funding strategy of the subsidiary (including the extent of support from the parent, e.g. by injecting capital or issuing guarantees, letters of comfort or other assurances);
- 7.1.4.** The degree of the applicant's involvement and participation in managing and monitoring the business of the subsidiary, e.g. the number, due diligence & qualification about the applicant's directors to be appointed to the Board of Directors;
- 7.1.5.** Information on the statutory auditors, (i.e. name and address of proposed auditors and, where appropriate, details of arrangements for the review of the operations of the subsidiary);



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- 7.1.6.** Information as to whether the subsidiary will be subject to the supervision of the financial sector regulator in the host country;
- 7.1.7.** Limits, controls, and reporting procedures to be set up by the applicant over the activities of the subsidiary;
- 7.1.8.** The proposed management structure (e.g. any specialised committees, etc.) and the proposed ownership structure, inclusive of KYC documentation for each individual proposed as part of the management structure and ownership structure of the subsidiary (i.e. a properly completed, notarized and apostilled biographical affidavit, a notarized and apostilled proof of identification and proof of address, two character references, one financial reference, curriculum vitae, evidence of qualifications, due diligence checks and a police certificate);
- 7.1.9.** The key business rules and internal control systems of the subsidiary;
- 7.1.10.** Organisational chart of the applicant's group, inclusive of the proposed subsidiary;
- 7.1.11.** The Board of Directors' Resolution authorising the establishment of the subsidiary; and
- 7.1.12.** A letter from the host regulator giving their approval or non-objection to the establishment of a subsidiary in their country.

8. REQUIREMENTS AND OPERATING CONDITIONS FOR ESTABLISHING AN OVERSEAS REPRESENTATIVE OFFICE

8.1. Applications to establish a representative office abroad should comprise of the following:

- 8.1.1.** An application letter advising of: -
 - (a) the proposed name of the representative office; the proposed location (i.e. identification of the host jurisdiction) and whether it would maintain physical presence at that location;
 - (b) the purpose/rationale for establishing a representative office; and



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- (c) describing how the representative office will be operated, i.e. primary functions, proposed personnel resources, and administrative arrangements;

8.1.2. A comprehensive business plan of the representative (including a description of its activities, projected financial statements, inclusive of balance sheet, income statement, etc., for the first three years);

8.1.3. The Board of Directors' Resolution authorising the establishment of a representative office in the host jurisdiction;

8.1.4. Letter from applicable regulator in the host jurisdiction indicating their approval or non-objection—if such an approval is required—to the establishment of the representative office;

8.1.5. A written undertaking from the applicant or statement signed by the directors of the applicant that the conditions/requirements to the operation of a representative office will be adhered to;

8.1.6. Comprehensive information on the proposed resident manager of the representative office, inclusive of a notarized proof of identification, two character references, one financial reference, proof of address, curriculum vitae, evidence of qualifications, due diligence checks and a police certificate;

8.1.7. A written acknowledgement from the resident manager of the representative office that is domiciled in the host jurisdiction, stating that he/she understands the conditions applicable to the operation of the representative office and that he/she will uphold the conditions; and

8.1.8. The name and position of the officer in the applicant's office to whom the resident manager will report and an outline of how the operations of the representative office are to be monitored, to ensure that the conditions attached to the operation of the office are observed.

8.2 OPERATING CONDITIONS FOR AN OVERSEAS REPRESENTATIVE OFFICE

8.2. Where approval has been granted for the establishment of a representative office, the following conditions will apply: -



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- 8.2.1.** The business of the representative office must be confined to the conduct of purely liaison activities. Examples include conducting research into the host jurisdiction's economy; liaising with customers of the licensee in the host jurisdiction; the provision of factual information relating to the licensee's products and services upon request, etc.;
- 8.2.2.** The representative office must not solicit deposits; receive deposits (which may include allowing customers of the licensee to deposit moneys into any account in the name of the representative office); granting loans; drawing, accepting, endorsing or discounting bills of exchange; establishing letters of credit; dealing in or issuing securities; dealing in derivatives products; buying or selling foreign exchange or executing any documentation for any of the foregoing purposes; acting as trustee or trust administrator;
- 8.2.3.** The representative office may not engage in any commercial activity (other than pure marketing). It may not issue invoices for the services rendered. This means that the representative office is not allowed to act on its own behalf by using its employees or office for any kind of trading or business; nor may it be granted a power of attorney to act on the behalf of the licensee;
- 8.2.4.** The representative office must not accept any orders on behalf of the licensee. Accordingly, the representative office's activities must be limited to transferring information to customers on behalf of the licensee, and to transferring inquiries, etc., from customers to the licensee;
- 8.2.5.** The representative office must not engage directly in financial transactions, except transactions which are necessary for and incidental to the maintenance of its office in the host jurisdiction;
- 8.2.6.** The name of the licensee should be used by the representative office only in conjunction with the description "representative office". This includes on office signage, letterheads, advertising, business cards, etc.;
- 8.2.7.** The activities of the representative office must be kept separate from those of any financial enterprise operating in the host jurisdiction;



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- 8.2.8.** Any proposed closure or change in the location of a representative office, or change in the resident manager, must be advised to the Commission;
- 8.2.9.** The resident manager of the representative office must inform the Commission of any significant developments adversely affecting its or the licensee's financial soundness and/or reputation globally;
- 8.2.10.** The Commission must be informed of any change in the licensee's or resident manager's oversight of the representative office;
- 8.2.11.** Evidence that its representative office has been registered in the host jurisdiction must be provided to the Commission as soon as possible after approval to open a representative office has been granted (also annual notification of registration may be necessary should the representative office registration be renewed annually);
- 8.2.12.** The licensee must provide the Commission with an annual statement confirming that the representative office is in compliance with the conditions of its approval. This statement should be signed by the executive of the licensee responsible for oversight of the representative office, or by the resident manager of the representative office;
- 8.2.13.** The licensee must ensure that the representative office comply with all applicable laws and must inform the Commission in writing of any breach or breach of an applicable law and, in addition, must inform the Commission in writing of any event which results or might be expected to result in the cancellation or suspension of the representative office's registration; and
- 8.2.14.** The representative office must provide the Commission with information that it may request from time to time relating to the operations of the office.

9. REQUIREMENTS FOR ACQUIRING OWNERSHIP OR CONTROLLING INTEREST OF TEN PERCENT (10%) OR MORE OF THE SHARES OF AN OVERSEAS ENTITY

- 9.1.** Applications to acquire ownership or controlling interest based on the threshold above, which is a FATCA requirement, should comprise of the following:



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- 9.1.1.** An acquisition letter advising of: -
- (a) the name of the entity, the current location of the entity's operations (i.e. identification of the host jurisdiction) and whether physical presence is maintained at that location;
 - (b) the place and date of incorporation or establishment;
 - (c) the primary activities of the entity and the rationale for acquiring the entity;
 - (d) the percentage of the shareholding to be acquired, the proposed management structure (e.g. any specialised committees) and the proposed ownership structure, inclusive of KYC documentation for each individual proposed as part of the shareholding, management and ownership structures (i.e. a properly completed, notarised and apostilled biographical affidavit, a notarised and apostilled proof of identification and proof of address, two character references, one financial reference, curriculum vitae, evidence of qualifications, due diligence checks and a police certificate); and
 - (e) the cost of acquisition (including any goodwill) or investment and how it will be funded;
- 9.1.2.** Financial information on the entity, inclusive of its audited financial statements for the last three years and unaudited financials for the four quarters prior to the application date (e.g. balance sheet, profitability, capital ratios, etc. should be displayed);
- 9.1.3.** The short and long-term objectives and business strategy for the entity;
- 9.1.4.** The business plan for the entity (including projected financial statements for the first three years of business activity);
- 9.1.5.** The funding strategy of the entity (including the extent of support from the parent, e.g. by injecting capital or issuing guarantees, letters of comfort or other assurances);
- 9.1.6.** The degree of the applicant's involvement and participation in managing and monitoring the business of the entity, (e.g. number, due diligence & qualifications regarding the applicant's directors to be appointed to the Board of Directors);



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- 9.1.7.** The statutory auditors, i.e. name and address of proposed auditors and, where appropriate, details of arrangements for the review of the operations of the entity;
- 9.1.8.** Limits, controls, and reporting procedures to be set up by the applicant over the activities of the entity;
- 9.1.9.** The key business rules and internal control systems of the entity;
- 9.1.10.** Information as to whether the entity is subject to supervision of a regulator in its place of incorporation or establishment;
- 9.1.11.** Organisational chart showing the structure of the direct and indirect shareholdings of the applicant analysed according to holdings of voting rights and/or shares;
- 9.1.12.** Copy of the act, charter, certificate of incorporation and Memorandum and Articles of Association of the entity, as may be appropriate, verified by statutory declaration made by a director or the secretary duly authenticated under public seal of the jurisdiction in which the applicant has been incorporated;
- 9.1.13.** The Board of Directors' Resolution authorising the acquisition;
- 9.1.14.** Certificate of Good Standing or equivalent document from the host regulator regarding the entity's history of performance and compliance;
- 9.1.15.** Letter from the host regulator indicating their approval or non-objection to the acquisition of the entity; and
- 9.1.16.** The name and position of the officer in the applicant's office to whom the resident manager will report and an outline of how the operations of the representative office are to be monitored, to ensure that the conditions attached to the operation of the office are observed.

10. OTHER REQUIREMENTS/CONDITIONS

Applications for the establishment or acquisition of a branch, subsidiary or representative office should also include the following: -



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- 10.1.1.** A letter from a senior person of the branch, subsidiary, or representative office, preferably at the level of Director, undertaking the following:
- (a) its awareness that the business activities of the branch, subsidiary or representative office will be bound to all licence conditions (if any);
 - (b) confirmation that no changes will be made in the shareholding, management, and ownership structures, including any proposed closure or change in location of the office, without the prior approval of the Commission;
 - (c) that if authorisation is granted by the Commission, the branch, subsidiary, or representative office will conduct **only** the activity outlined in its application; and
 - (d) confirmation that the director or a senior officer overseeing all accounting functions of the branch, subsidiary or representative office will provide a copy of its interim financial statements (in English) to the Commission on an annual basis (within twenty (20) days of the end of each calendar year).

- 10.1.2.** Payment of the applicable administrative fee of **US\$300.00**.

11. NOTICE OF REVOCATION

- 11.1.** The Commission may revoke its approval for the establishment or acquisition of an overseas branch, subsidiary or representative office should the Commission come to believe that the licensee's operations/viability and the interest of clients or potential clients are threatened by the continuation of the branch, subsidiary or representative office abroad.

12. REJECTION OF APPLICATION

- 12.1.** Notwithstanding submission of all required documents, the Commission reserves the right to reject an application if it is considered that the interest of clients or potential clients of the licensee would be threatened by its establishment of an overseas branch, subsidiary, or representative office.



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Please note that the Commission will be unable to process any applications for authorisation to establish or acquire a branch, subsidiary, or representative office if it does not meet all requirements/conditions as set out in these Guidelines.

**International Financial Services Commission
25th June 2018**