

**SCHEDULE OF CONDITIONS ATTACHED TO
BUILDING SOCIETY AUTHORISATIONS**

1. Financial Resources and Reporting

- 1.1 The authorised institution shall be required to demonstrate to the Financial Supervision Commission that it has an appropriate policy for the management of liquidity.

2. Financial Statements and Accounting Records

- 2.1 The authorised institution shall provide the Financial Supervision Commission each year with a copy of the Society's audited accounts and a detailed profit and loss account in respect of the Isle of Man branch(es), the latter to be provided within four months of the end of the accounting period.
- 2.2 The authorised institution shall treat all written communications with the Financial Supervision Commission in the exercise of the Commission's functions under the Building Societies Act 1986, as amended, as part of its accounting records.
- 2.3 Unless specific exemption has been granted by the Financial Supervision Commission, the authorised institution shall make its full annual audited financial statements available for public inspection in the Isle of Man, within four months of the end of the accounting period to which they relate, by:-
- (i) filing a copy with the Registrar of Companies; and
 - (ii) making copies available at its principal place of business.

3. Acquisitions, Sales and Mergers

- 3.1 The authorised institution shall obtain the consent in writing of the Financial Supervision Commission before seeking to change its residence or the corporate form or structure under which its business in the Isle of Man is conducted.
- 3.2 The authorised institution shall notify the Financial Supervision Commission - in writing - of its intention to sell or merge the whole or any part of the undertaking of the authorised institution with that of another company.

4. Direction and Management

- 4.1 The authorised institution must maintain a documented system of internal controls, procedures and management information adequate for the proper conduct of its business and in accordance with these Conditions and any other requirements placed upon it by relevant legislation.

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4.2 The business of the authorised institution shall be effectively conducted by at least two individuals resident in the Isle of Man. The authorised institution must recommend these individuals to the Financial Supervision Commission who in turn must be satisfied that they are fit and proper persons and that they are able to conduct the business with prudence and professional skill. These individuals will be expected to complete a Personal Questionnaire and Bankers' Questionnaire. (Refer to 5.1 for notification and appointment procedures).

5. Notification and General Requirements

5.1 The authorised institution shall inform the Financial Supervision Commission - in writing at least 28 days in advance - of the appointment of any new Manager in the Isle of Man. The authorised institution shall provide, at that time, a completed Personal Questionnaire and Bankers' Questionnaire in respect of such proposed Manager and the Financial Supervision Commission may raise objection to the proposed appointment within 28 days of notification by the authorised institution.

5.2 The authorised institution shall appoint a Compliance Officer for the Isle of Man operations. The Commission must be satisfied that the Compliance Officer is a fit and proper person for the position. The individual proposed will be expected to complete a Personal Questionnaire and Bankers' Questionnaire. (Refer to 5.1 for notification and appointment procedures).

5.3 The authorised institution shall - prior to taking any action - notify the Financial Supervision Commission of any intention to conduct investment business or to extend its investment business activities as defined within the Investment Business Order 1991, and the form that the intended investment business will take.

Guidance Note

1. Authorised institutions conducting or seeking to conduct investment business should note the requirements of the Investment Business (Exemption) (Banks and Building Societies) Regulations 1992.

5.4 The authorised institution shall make reference to its registration with the Financial Supervision Commission and to the type of business for which it is registered on every document, advertisement and other material which it publishes or causes to be published (apart from cheques, cheque books and statements).

Guidance Notes

1. The reference for a Building Society which does not conduct investment business should take the following form:-

"Authorised as a Building Society with the Isle of Man Financial Supervision Commission".

2. The reference for a Building Society which does conduct investment business should take the following form:-

"Authorised as a Building Society which is licensed to conduct investment business by the Financial Supervision Commission".

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- 5.5 The authorised institution shall not publish or cause to be published an advertisement in respect of licensable activities under the Building Societies Act 1986, as amended, against which the Financial Supervision Commission has raised an objection - by notice in writing - addressed to the authorised institution's principal place of business in the Isle of Man.
- 5.6 The authorised institution shall obtain the consent of the Financial Supervision Commission - in writing - before making any material change to the services it offers - as outlined in the original application for authorisation (see also Condition 5.3).
- 5.7 The authorised institution shall inform the Financial Supervision Commission, promptly (and, in any event within fourteen days) by notice in writing of serious disciplinary action taken by the authorised institution against any member of staff. Full details of such action including copies of any notices or written warnings issued by the authorised institution to the relevant member of staff must be provided to the Commission. Upon delivery of any such notice to the Commission, the authorised institution shall also deliver a copy of the notice to the member of staff concerned.

Guidance Note

For the purposes of this condition, "serious disciplinary action" shall include:-

- (a) the termination of employment on the grounds that the authorised institution has reasonable cause to believe that the member of staff:-
- (i) has been guilty of fraud or other dishonesty; or
 - (ii) has contravened any provision made by or under any enactment or any internal rule or regulation of the authorised institution designed for protecting members of the public against financial loss due to dishonesty, incompetence or malpractice by persons concerned in the provision of banking, insurance, investment or other financial services; or
 - (iii) has engaged in any business practice appearing to be deceitful or oppressive or otherwise improper (whether unlawful or not); or
 - (iv) has engaged in or been associated with any other business practice or otherwise conducted himself in such a way as to cast doubt on his competence or soundness of judgement; or
- (b) the suspension of employment on the grounds that the authorised institution suspects or has reasonable cause to believe that the member of staff has done any of those things referred to in paragraph (a) above (including suspension of employment while such matters are investigated); or
- (c) the giving of a written warning as to the future conduct of the member of staff on the grounds that the authorised institution suspects or has reasonable cause to believe that the member of staff has done any of those things mentioned in paragraph (a) above.

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For the purposes of this condition, the date on which serious disciplinary action shall be deemed to have occurred shall be: in the case of such action as is referred to in paragraph (a) above, the date on which the authorised institution gives notice to the member of staff of the termination of employment; in the case of such action as is described in paragraph (b) above, the date on which the authorised institution gives notice to the member of staff of the suspension of employment; and, in the case of such action as is referred to in paragraph (c) above, the date on which the authorised institution issues the written warning to the member of staff.

5.8 The authorised institution shall notify the Financial Supervision Commission - in writing - of its intention to change its name.

6. Acting as Trustee of Isle of Man Collective Investment Schemes

6.1 The authorised institution shall obtain the prior consent, in writing, before becoming the trustee of a Collective Investment Scheme which is authorised under section 3 of the Financial Supervision Act 1988.