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# Roadmap Wft license application

A 13-step guide to requesting a license with the AFM or DNB

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# Introduction

**Companies, such as banks, pension funds, financial service providers, investment firms or payment institutions that want to offer financial services or products in the Netherlands require a license from the Autoriteit Financiële Markten (AFM) or De Nederlandsche Bank (DNB).**

License applications that are complete and of good quality are more likely to succeed. In this roadmap, we share the thirteen most important steps to obtain a license. This overview is not exhaustive, but it does provide a good overview of the process.



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# 1. Qualification & requirements

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Step 1. Determine the license category

Step 2. Gather all applicable legislation

## Step 1

# Determine the license category

The websites of the AFM and DNB provide a lot of information about license applications. Take the time to get an impression of the information that can be found online and to investigate whether the services you want to provide or the activities you want to perform are subject to a license. If that is the case, determine whether the license you need is granted by the AFM or DNB. The AFM grants licenses to financial service providers, fund managers and investment firms, among others. DNB is the licensing authority for payment institutions, trust offices, banks and insurers.

## Tip

### Qualification

Describe the services that you intend to provide and determine if they qualify as investment services and if so, which type. This determines the scope of the license application and therefore also the costs.

## Pitfall

### Costs

A license application always incurs costs, even if the application is withdrawn or rejected.

## Step 2

# Gather all applicable legislation

What are the legal requirements to qualify for the required license? Make an inventory of which regulations apply to the specific license category. Also consider direct applicable European regulations.

## Tip

### **Insight into the legal framework**

Provide a full understanding of the legal framework, both in the Netherlands and Europe.

## Pitfall

### **Complexity**

Financial legislation is complex, not in the least because legislation consists of several layers. This makes it difficult to gain a complete and adequate overview of the applicable rules.

### **Coverage requirements**

The license application forms of the AFM and DNB do not cover all of the requirements. Without consulting a specialist, you run the risk of overlooking requirements.

# 2. Organizational structure

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Step 3. Organize the structure of the organization

Step 4. Draft the business operation (AO/IC)

Step 5. Draw up the relevant agreements

## Step 3

# Organize the structure of the organization

You must provide the regulator with insight into your business processes and the way in which your organization is structured. For this you must provide an organization chart, in which all departments and structures are included. In this chart you must indicate in detail which persons are in charge of the departments and pay attention to the internal audit functions in particular. Also indicate which functions are outsourced and which persons may hold more than one position.

## Tip

### **Structure**

Ensure that the structure and governance of the organization matches the license category. Pay attention to strict requirements and mandatory functions.

## Pitfall

### **Incomplete organization chart**

If the organization chart is not complete, this could raise questions with the regulator.

## Step 4

# Draft the company description (AO/IC)

Drafting the description of the business operations is a very laborious part of the application. How is the administrative organization (AO) and internal control (IC) of your company organized and how do you meet the legal requirements? Based on the specific legal framework, as determined in step 2, you will need to draft a detailed description of the business operation for your company. This description should elaborate on aspects such as controlled business operations, ethical business operations and how the service provision protects the interest of investors:

- In the context of controlled business operations, attention must be paid, amongst others, to the organizational structure, risk management, compliance function, internal control, outsourcing policy, remuneration policy, timely and complete reporting to the regulator and adequate segregation of duties.
- In the context of sound business operations, at least the following topics are included: conflicts of interest, dealing with and recording incidents, customer due diligence and transaction monitoring and reporting of unusual transactions.

## Step 4

### Continued

- As part of its careful service provision, the regulator expects information from financial companies to be accurate, understandable and not misleading. Companies are also expected to act in the interests of their customers.

## Tip

### **The law**

Show that you are familiar with the law. For example, if you are legally obliged to submit a quarterly report to the AFM or DNB, avoid reporting on an annual basis.

## Pitfall

### **Standard templates**

The descriptions are too superficial, because standard templates are used that are not sufficiently adapted to the specific situation.

## Step 5

# Draw up the relevant agreements

Draw up agreements with clients, outsourcing partners and other business relations. Ensure that these agreements cover the requirements of the Wft and other applicable legislation.

## Tip

### Differences

The relevant agreements differ per license category.

## Pitfall

### Services

A different license is required for the services as described in the agreement.

# 3. Board & shareholders

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Step 6. Assessment of the board members

Step 7. Determine whether the shareholders need to be assessed

## Step 6

# Assessment of the board members

The policy makers and supervisory directors of a financial company must be suitable for the position that they want to hold. For that reason, an assessment needs to be performed by the regulator. Candidates will be assessed for their knowledge, skills and professional conduct. Among other things, the regulator will take into account their competencies, education and work experience. The assessment also takes into account the specific function of a candidate, the complexity and risk profile of the company and the composition of the board.

## Tip

### **Transparency**

Consider beforehand whether the assessment of a candidate is promising. The rule is: be transparent and report all events that may affect reliability or suitability.

### **Suitability matrix**

A suitability matrix provides insight into the way in which the management board or supervisory board works. Work out the experience of every board member in this matrix down to the most detailed level. Don't just prove that the board member himself is suitable, but prove the suitability of the entire management board as a whole. Add color to the profiles and explain the background and experience of the candidates.

## Step 6

Continued

In addition, the properness of all policy makers must be beyond doubt. The regulator will assess whether there are intentions, actions or antecedents that stand in the way of holding the intended position.

Properness testing focuses primarily on antecedents. Therefore, it's important to report any events, even if you doubt their relevance. The applicant will be charged heavily for concealing antecedents or the omission to report antecedents.

## Pitfall

### **Antecedents & integrity issues**

A policy maker has antecedents or there are integrity issues with the intended policy makers. For example, it may be that the candidate is under criminal investigation, or that an intended policy maker has previously received a negative decision in another file.

## Step 7

# Determine whether the shareholders need to be assessed

For certain license categories, shareholders who have an equity or controlling interest of at least 10% must be assessed by DNB. This is because the regulator wants to prevent parties that are not financially sound or not integer, from holding interests in financial companies. DNB requires a lot of information for this assessment. If DNB agrees, it will issue a declaration of no-objection (DNO).

## Tip

### **Shareholder interests**

Provide a complete overview of all shareholder interests.

## Pitfall

### **Applying for a DNO**

Applying for a DNO is complex and time-consuming. There are requirements regarding the capital position, the reliability and sometimes the suitability of the policymakers. To this end, financial figures of legal and private persons, a business case and reliability test must be submitted to DNB. The figures may not be older than one year.

# 4. Business case & capital requirements

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Step 8. Prepare a business case with financial forecast

Step 9. Determine the required amount of own funds

## Step 8

# Prepare a business case

The regulator wants to get a complete picture of what the company intends to do. Provide an overview of the activities, give an explanation of the intended strategy and the revenue model and elaborate on a financial forecast. A good business case demonstrates that a company is viable and gives the regulator sufficient confidence.

## Tip

### **Different scenarios**

Work out a neutral scenario, a positive scenario and a negative scenario, including three-year development.

## Pitfall

### **Estimation of costs**

The business case is too optimistic. Make a realistic assessment of the development of costs and own funds.

## Step 9

# Determine the required amount of own funds

For most licenses, a minimum amount of own funds is required, and solvency requirements may also apply. The exact amount of the own funds requirement depends on the services that a company wants to provide. Therefore, it's necessary to determine what amount of own funds your company will need and to provide documentation that shows that the capital requirements are met.

## Tip

### **Financial Statements**

Your annual report must be approved by an accountant.

## Pitfall

### **Wrong legal framework**

The incorrect equity requirement is used based upon the wrong legal framework.

# 5. Submitting the application

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Step 10. Request authorization from the AFM or DNB portal

Step 11. Prepare an accompanying letter

Step 12. Fill in the license application form

Step 13. Answer any questions

Decision period

For consideration

## Step 10

# Request authorization from the AFM or DNB portal

An application form must be submitted to apply for a license. Depending on the license category, the form and required documents can be found online via the **Digital Supervision Portal** of DNB or the **Digital Portal** of the AFM. In order to log into these portals, you will need login details.

## Tip

### **eRecognition level 3**

Level 3 eRecognition is required for digitally submitting data to DNB.

## Pitfall

### **Request login details**

The request for login details was not submitted in time, which unnecessarily delayed the application process. Bear in mind that there is a waiting time for obtaining login details.



## Step 11

# Prepare an accompanying letter

The regulator would like to receive context with the application. A complete and well-founded application can be assessed faster and better.

The cover letter can serve as an introduction to the regulator. You can use it to provide an explanation of the application and why you need the requested license. The desired effective date and contact person should also be mentioned in the cover letter.

## Tip

### Introduction

Ensure sufficient context. Introduce the organization and explain why the application is submitted.

## Pitfall

### Review

The cover letter is too recruiting in nature. The regulator checks for facts.



## Step 12

# Fill in the license application form

The application forms for the various license categories can be found in the Digital Supervision Portal of DNB and the Digital Portal of the AFM.

## Tip

### Checklist

Before submitting the form, check if the most important documents have been added.

## Pitfall

### Request form

The application form is outdated. Download the latest version of the application form via the AFM or DNB portal.

## Step 13

# Answer any questions

After submitting a license application form, the regulator may ask additional questions. Answer any questions with precision within the set period.

Make sure you have understood the question correctly. Is there any unclarity? Contact the contact person by telephone for further explanation, instead of providing an answer that may not be sufficient.

## Tip

### Collaborate

Remain in contact with the regulator. In some cases, the specific interpretation of requirements can be discussed.

## Pitfall

### Questions

Responding too late or insufficiently to additional questions: if questions are not answered in time or incompletely, the regulator may decide to reject the application.



# Decision period

A decision period of 13 to 26 weeks applies to most licenses. If an application is incomplete or if the regulator asks additional questions, this period can be suspended. The decision period will start again after all information has been received.

# For consideration

According to DNB, a license application is 'more often complete and qualitatively better' when an applicant is assisted by an expert. Charco & Dique employs consultants with extensive experience in the field of regulating and license applications. Would you like to know how we can help you? Please feel free to get in touch.



**Questions?**  
**We are happy to help.**

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