



**Fintech Scotland business plan**  
Establishing Fintech Scotland as an entity

June 2017

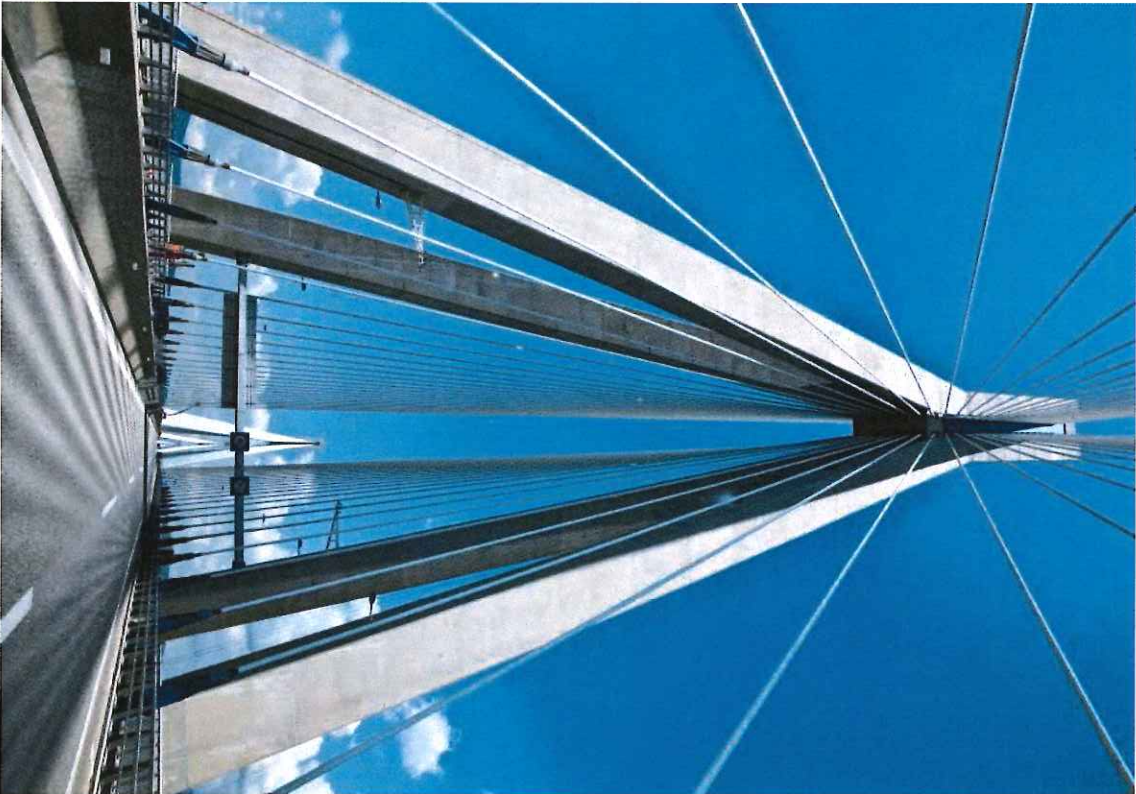


# Establishing Fintech Scotland as an entity

## Contents

Executive summary	Page 3
Introduction	Page 4
Fintech Scotland's core objectives & focus	Page 5

Fintech Scotland – Establishing the entity	
Consideration of entity options	Page 7
Chosen approach & high level steps to develop Fintech Scotland	Page 8
Legal frameworks – limited by guarantee companies	Page 9
Latest information on the legal steps to establish Fintech Scotland	Page 10
Defining Fintech Scotland's constitution & the required role profiles	Page 11
The supporting governance structure around Fintech Scotland	Pages 12–14
Funding required to establish & launch Fintech Scotland	Page 15
Fintech Scotland – organisational targets & success metrics	Page 16
Dependencies on network partners incl. commitment & ownership	Page 17
Immediate steps to establish & launch Fintech Scotland	Page 18





# Establishing Fintech Scotland as an entity

## Executive summary

---

Establishing a dedicated entity to progress the ambition the community has for Fintech in Scotland is fundamental to success. At its heart, the overall objective of the entity will be to further develop and deliver a strategy that will create demonstrable growth in a number of areas across the existing Fintech eco-system.

The entity '*Fintech Scotland*' will focus on creating an inclusive environment that is not only perfect for scaling new, high-growth start-ups but also one that increases jobs, promotes investment, engages academia and talent networks, and ultimately ensures that any barriers to connection and growth are overcome.

This pack outlines 5 primary elements required to establish Fintech Scotland as the recognised entity to drive the development of the Fintech industry in Scotland.

1. **Establishment of the appropriate entity structure.** It is believed that a 'not-for-profit' entity structure is the most appropriate vehicle to support the aspirations of Fintech Scotland. This structure will be limited by guarantors and help ensure that a commercial model can be put in place to generate revenue and ongoing investment into the venture. Equivalent versions of this entity structure have been used in other Fintech centres around the world and is evidently most befitting the commercial activities likely to prevail.
2. **Management team definition.** A small, funded, management team of 4 full time employees (FTEs) is suggested. The management team should also be supported by a Chairperson on a part time basis. A profile of this resource is set-out on page 11. The roles and responsibilities of each member of this team are directly linked to the activities underpinning Fintech Scotland's strategy and future aspiration. Salary scales suggested are considered appropriate to attract strong talent, but also recognise the overall spirit and community-ethos of the venture.
3. **Overarching governance model.** It is recommended that the Fintech Scotland entity is supported by 2 main governance boards - the Board of Directors made up of guarantors, NEDs, and HMT Fintech envoys will act as the most senior board supporting Fintech Scotland, and the Advisory Board, made up of Fintech subject matter experts and industry stakeholders. Both of these committees should meet monthly in the initial period of inception to provide guidance and support as Fintech Scotland evolves.
4. **Funding is required to initiate the entity.** The overall cost to establish the entity and embed the management team is expected to be ██████ in Year 1, rising incrementally to ██████ in Year 5 based on salary inflation and appointment of 2 additional support roles in Year 2 and Year 4, respectively.
5. **Tracking and monitoring success.** A number of metrics have been established to track the success of Fintech Scotland in delivering the aspiration set out in the business case and importantly in tracking the overall impact the delivery of Fintech Scotland's strategy will have on employment, enterprise and connectivity across the eco-system. Details of these metrics can be seen on page 16.

Through the implementation of the recommendations in this paper a dedicated, well-supported and easily recognisable home could be created for Fintech in Scotland. Importantly, responsibility for scaling and accelerating the opportunity Scotland has can also be clear to those operating within it, and those looking on.



# Establishing Fintech Scotland as an entity

## Introduction

The Fintech community in Scotland is at a critical stage in its development. Following the Fintech consultations & to help implement the key actions identified, an independent entity known as Fintech Scotland needs to be established.

To address this, we have developed a business plan for Fintech Scotland. This has been structured over three key components:

1. A business plan to understand the customers & financial forecasts for Fintech Scotland;
2. A guide to establishing Fintech Scotland with information on the governance structure;
3. An action plan which details some of the key actions Fintech Scotland will need to take in the future including the development of a physical hub at [REDACTED].

This component consists of a guide to establish Fintech Scotland:

Core deliverable	The primary elements that will be considered	Components of the deliverable
A clear definition and agreed set of steps to establish the Fintech Scotland entity.  This operating model and related components is critical to ensuring there is central leadership and ownership of the initiative in Scotland.	1. A clear definition of Fintech Scotland's core objectives & organisational targets and an outline of how they will be measured to benchmark the organisation's performance over time.	A document detailing the definition, objectives, and constitution of the Fintech Scotland entity. This will include details of the management structure, roles and responsibilities, and consideration of where this resource might be sourced. The document will also outline the potential governance structure and reporting responsibilities for Fintech Scotland along with an appraisal of options.  A spreadsheet and supporting commentary clearly outlining the indicative cost and funding required to bring Fintech Scotland to life in short-order. This will link directly to the wider business plan.  A plan outlining the steps that need to be taken to establish Fintech Scotland, owners of each step, and the commitment from across the network to stand-up the entity.
	2. Fintech Scotland management structure, roles and responsibilities, and experience required in the management team to deliver against identified objectives and activities.	
	3. A view of the funding required to establish the management team, including the strategy around how this become self-funding at the right point (linked to the business plan).	
	4. A detailed view of the proposed governance model and reporting structure, following the appraisal of options with appropriate stakeholders.	
	5. A clear view of the steps required to formally establish the entity, secure appropriate funding, staff the entity and launch the company (not-for profit).	
	6. A clear and agreed view of the support required from network partners to establish Fintech Scotland.	
	7. A clear articulation of the overall operating model of Fintech Scotland, incorporating all of the above.	



## Establishing Fintech Scotland as an entity

### Fintech Scotland's core objectives and features

---

The creation of an entity to take ownership and drive forward the activities that will help Scotland emerge more fully onto the Fintech stage is a common hallmark of many successful Fintech hubs around the world. The creation of similar entity in Scotland is now required to drive forward and accelerate the ambition the community have and take responsibility for achieving a joined-up initiative from which all can benefit.

Establishing the core objectives and focus of this entity are fundamental to its success. Following our recent consultations and understanding of the community it has been suggested that these objectives should incorporate, but not be limited to, the following:

1. To take ownership for formulating and delivering a complete and robust strategy to advance the emerging industry in Scotland. Understanding the link between each stakeholder's needs and the strategy will be central in Fintech Scotland's ethos, with delivery set against agreed objectives and supported by an overarching and robust governance structure.
2. To be responsible for developing Scotland as an attractive centre for inward investment in Fintech and be able to demonstrate the impact Fintech Scotland's strategy is having. A core objective will also be to develop a strong and clear marketing strategy to maximise the impact Fintech Scotland can have in Scotland, and further afield.
3. To truly understand the 'heartbeat' of the eco-system. Regular and close dialogue across the eco-system will be central to the success of the venture.
4. Responsibility for ensuring the network partners, and investors in the early stages of the entity are regularly updated on performance of the business. Going forward other 'investors' may join – it should be the responsibility of the Fintech Scotland leadership team to ensure these investors are kept abreast of the benefit their input is having.
5. To identify and report the benefit Fintech Scotland is having more broadly across academia, talent, and employment. A focus should be placed on the role Fintech Scotland plays in promoting or developing new talent in Scotland.
6. Geographically, the objective is to link all of Scotland. Fintech Scotland should specifically be monitored on initiatives that access or develop capability across Scotland. The core objective must be to engage cities and communities beyond just Edinburgh and Glasgow.
7. The entity structure should be 'not-for-profit', but allow for re-investment of funds to support future development of the Fintech Scotland enterprise.
8. Those leading the entity should not be affiliated with any organisation currently part of the eco-system. This independence is important to ensure the perspective and requirements of each member of the eco-system are addressed equally.
9. The Fintech Scotland entity should, for a period of time, benefit from being linked into Scottish Financial Enterprise governance and membership. This will be an important 'tether' to help drive momentum in activities and encourage support from the existing SFE community.

## Fintech Scotland – entity structure



# Establishing Fintech Scotland as an entity

## Consideration of entity options

What has been recognised in the last few months is the need to stand up an entity that can focus on the development on Fintech in Scotland on as close to fulltime basis as possible. A range of options have been considered with suggested entity structure emerging as both the most befitting the objectives of Fintech Scotland, and most commonly seen across other Fintech hubs

Types of business	Limited by	Revenue type	Description	Evaluation	Where do we see this
Limited liability partnership (LLP)	Limited liability on partners	Profit making	Treated as an incorporated body with some or all partners having limited liabilities.	Fintech Scotland needs to be seen as not for profit & for all profit to be fed back into Fintech Scotland. This isn't the best legal structure for this.	N/A
Limited by shares company	Shares held by shareholders	Profit making	A legal entity in its own right and is separate from those who own it in the eyes of the law. The liability of the shareholders is limited to their investment and any unpaid shares they own.	Fintech Scotland needs to be seen as not for profit & for all profit to be fed back into Fintech Scotland. This isn't the best legal structure for this.	Holland Fintech, rainmaking (startupbootcamp)
Limited by guarantee company (structure chosen by Fintech Scotland)	Guarantee	Typically not for profit	Individuals are not responsible for a fixed sum based on their investment. These companies typically have a group of members who act as guarantors and agree to contribute a nominal sum towards the winding up of the company in the case of such an event occurring.	Being a not for profit company limited by guarantee would mean that any profits generated are reinvested into Fintech Scotland and are used to achieve Fintech Scotland's objectives. This is the preferred option.	Innovate Finance in UK (London)
Community interest company (CIC)	Guarantee	Typically not for profit	Typically created for companies that are not driven by the objective of maximising profits for their shareholders but with the intention of using their assets & profits for the good of the communities they are in.	This is a good option for Fintech Scotland and should be considered.	N/A
Charity	Guarantee	Typically not for profit	A charity is an alternative to a company. You don't need to register with companies house. Trustees have limited or no liability for debts or liabilities.	Becoming a charity is certainly possible for Fintech Scotland however due to the potential high revenue & company structure other structures are better placed.	MARS Discovery District (Toronto)

After discussions with Burness Paul, reviewing the external market & in order to expedite the set-up of Fintech Scotland it was agreed at the Fintech Steering Committee (22<sup>nd</sup> May) that the most appropriate structure for Fintech Scotland would be as a "not for profit company limited by guarantee", with the option to converting Fintech Scotland into a community interest company at a later stage if this is felt necessary.



# Establishing Fintech Scotland as an entity

## Chosen approach & high level steps to develop Fintech Scotland

---



### Legal entity type – what would work best for Fintech Scotland?

- As discussed on the previous page, after extensive discussions with Bunness Paul & reviewing the external market, it was agreed that the best structure for Fintech Scotland would be as a **not for profit company limited by guarantee**. **This was supported by the Fintech Steering Committee on 22<sup>nd</sup> May.**
- Being a not for profit company limited by guarantee would mean that any profits generated are reinvested into Fintech Scotland and are used to achieve Fintech Scotland's objectives. This re-investment would be proposed by the CEO of the entity and approved through associated governance.
- This entity structure is used in other Fintech centres around the world (including Innovate Finance, in London) and has found to be an effective way of balancing commercial focus of activities, whilst ensuring it deliver the requirements of the eco-system.



### Structuring the entity and supporting governance

- Standing up a separate entity with focussed leadership is critical to the success of Fintech Scotland – we have created a blueprint for this and outlined the main roles required to drive the initiatives at pace, **Page 11**.
- It is critical the right supporting governance is in place to 'wrap-around' Fintech Scotland and ensure appropriate guidance and challenge is in place through and appropriate board structure, and also ensure that impacted member of the community can engage on an advisory basis to help guide and shape the evolution of the Fintech strategy for Scotland, **Pages 12 – 14**.



### Steps required to establish the Fintech Scotland entity

1. **Complete companies house registration** – this secure the entity name and registers the company (**complete 26<sup>th</sup> May**)
2. **Complete articles of association** – defines the purpose of Fintech Scotland, outlines duties and key roles / responsibilities.
3. **Draft memorandum** – outlines the names of each persons engagement in Fintech Scotland and the intention to form a company.
4. **Document key aspects of entity** – details guarantors / main directors and outlines their fitness for role. Outlines register offices.

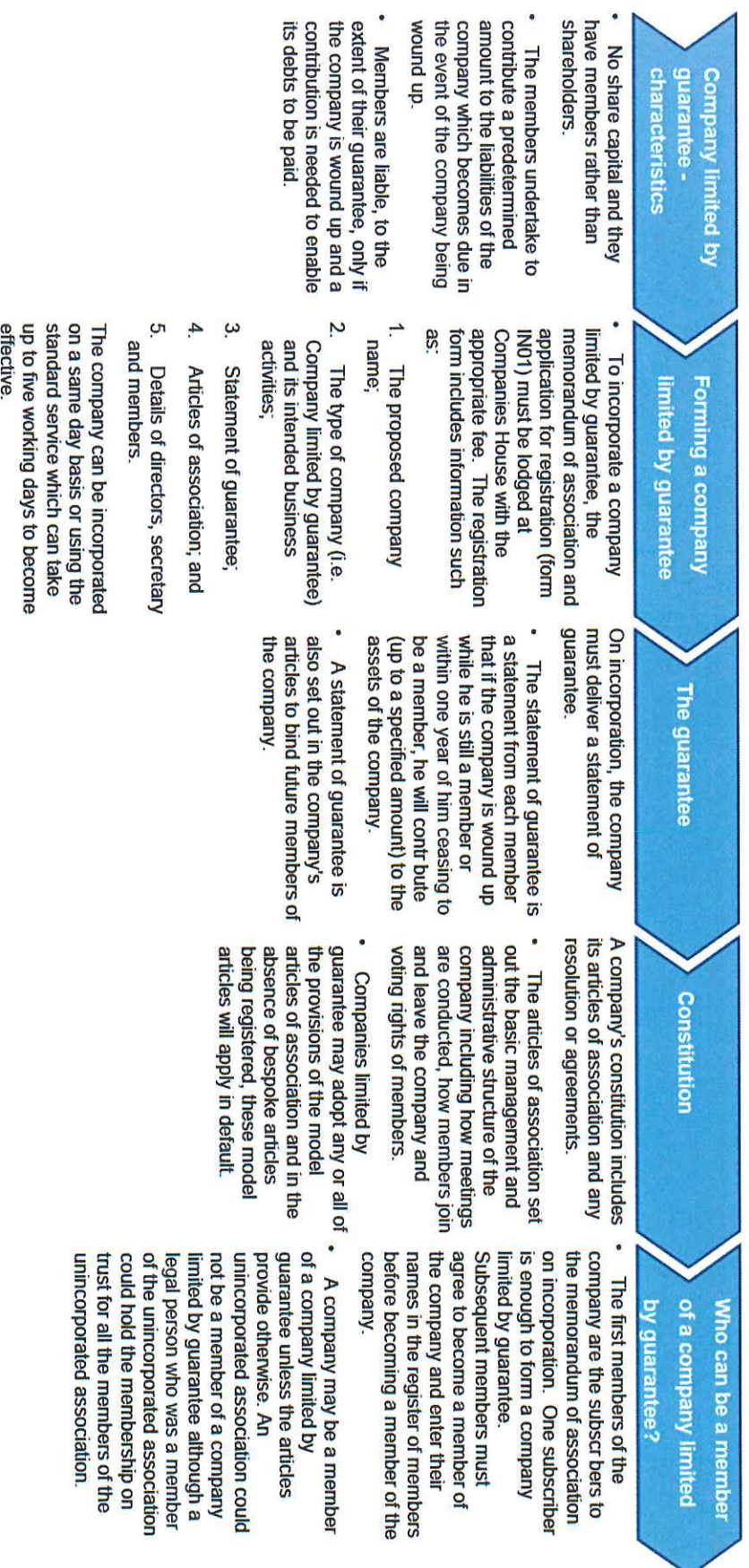
*The recommended scheduling of each activity is included in the detailed next steps highlighted on **Page 18**.*



# Fintech Scotland business plan

## Legal frameworks – limited by guarantee companies

Becoming a company limited by guarantee will provide Fintech Scotland with a number of key characteristics that will need to be taken into consideration. This includes deciding on guarantors, directors as well as articles of association. Companies limited by guarantee are incorporated at Companies House and governed by the Companies Act 2006. In order to register a company limited by guarantee, the articles of association and registration form must be registered with Companies House. More details on each of these considerations are set out below:





# Establishing Fintech Scotland as an entity

## Latest information on the legal steps to establish Fintech Scotland

Following the SFE Fintech Steering Committee meeting on 22<sup>nd</sup> May, Burness Paull incorporated an "off the shelf" company - Fintech Scotland. As agreed, this has been set up as a company limited by guarantee. Fintech Scotland's company number is SC567086 and its registered office address is currently 50 Lothian road, Festival Square, Edinburgh, Scotland, EH3 9WJ.

Further company details can be found here: <https://beta.Companieshouse.Gov.Uk/company/SC567086>

## Tailoring the company

Now that the company has been incorporated, the next steps would be to tailor the company to meet the requirements of all relevant stakeholders. The most efficient way to develop consensus around the various options available in progressing with the entity would be to arrange a 2-3 hour workshop involving representatives of all of the key stakeholders.

We would expect to be able to build consensus in the course of the workshop around a preferred model – possibly with one or two variants if there remained differing views on certain aspects. We would then set out the key features of the preferred model in a short paper. That paper could then be circulated within each of the key stakeholder organisations, with a view to obtaining feedback. Once the comments had been received thereafter we could proceed with the drafting of articles of association.

The workshop would discuss issues such as:

- Company objectives
- Whether to apply for CIC status
- Who should be the members
- Different categories of members
- Any special voting arrangements
- Quorum for members' meetings
- Composition of the board
- Rotation of directors
- Appointment of chair, term of office etc.
- Quorum for board meetings
- Remuneration of directors
- Advisory groups etc.

## Costs to establish Fintech Scotland

The costs for incorporating the shell company, facilitating the workshop session, preparing the paper on key features of the recommended model, and adopting the new articles of association (including filing requirements with companies house) are £3,500 plus VAT and outlays, those outlays being £65 for same day incorporation fees and £40 for company kit. There may be additional costs if it is decided that Fintech Scotland wishes to convert to a CIC (community interest company).

This fee proposal assumes a single workshop, no more than one turn of the draft paper outlining the outcome of the workshop, no more than two turns of the draft articles of association, and other feedback being dealt with through email correspondence and occasional discussions over the phone. If the correspondence becomes protracted, or if we become involved in successive re-drafts or additional papers beyond those outlined above, we would have to revisit the amount of the fee accordingly.