

Establishing Fintech Scotland as an entity

Defining Fintech Scotland's constitution & the required role profiles

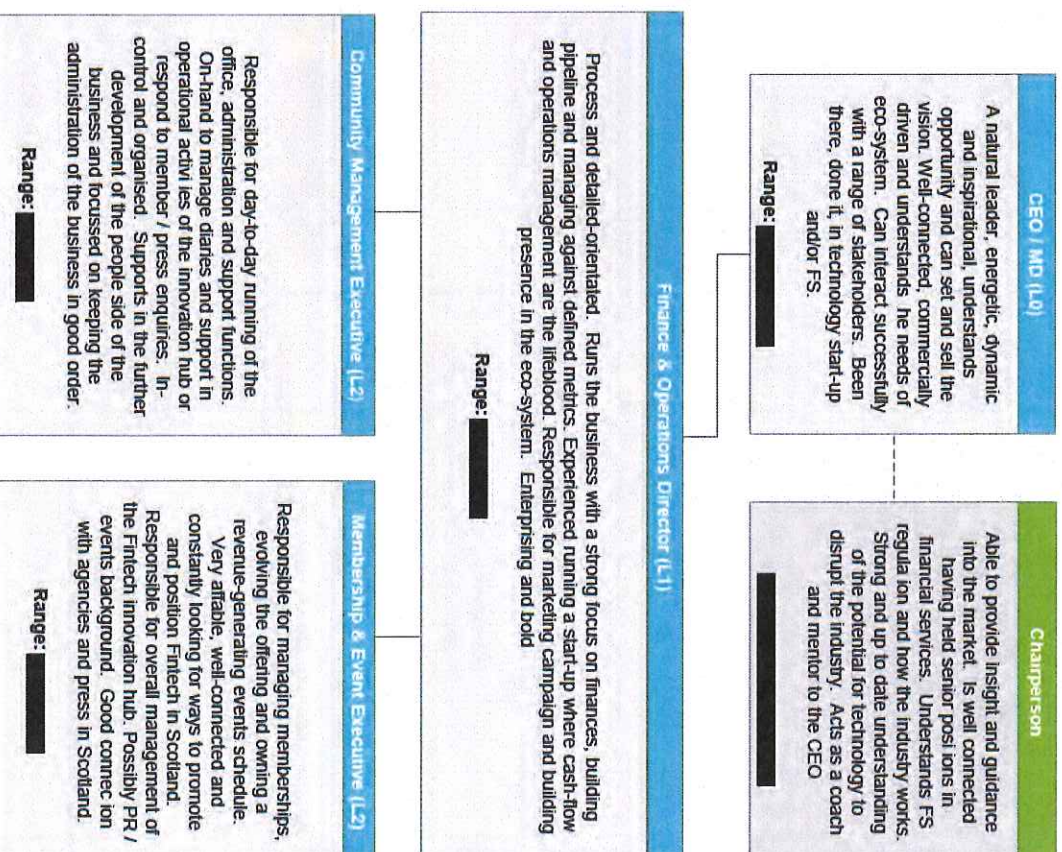
Fintech Scotland management team - organisational structure

Crucial to the success of Fintech Scotland is the recruitment of an appropriate team to lead the business. Going forward the intention is for this team to lead and accelerate early execution of the plan, and further develop the business proposition. In a number of ways this venture is similar to a start-up and requires a nimble and focussed approach to delivery. Our research over the last 5-weeks also highlighted a couple of perspectives that are important to consider as recruitment progresses.

- 'The CEO candidates must be able to not only understand how to engage the Fintech community, but also understand how an FS service business works and how to navigate complex internal structures and processes'
- 'Having a millennial as an MD / CEO would seem to be a sensible option.'
- 'We need to make sure we have dedicated focus on go-to-market activity and plan to keep fuelling the pipeline and developing Fintech Scotland's business.'

Sourcing the team

- It is likely that the network currently engaged in developing Fintech Scotland will be aware of the candidates that might fill one or more role. We continue to encourage suggestions on who candidates might be.
- If none are identified by the end of June organisations should be contacted and engaged to conduct an executive search.
- NB – these salaries are indicative, but represent a realistic view of what needs to be paid in order to attract the profile set out. Unlike other 'start-ups' this management team will not have any form of equity share in the venture, therefore higher base salaries are expected.

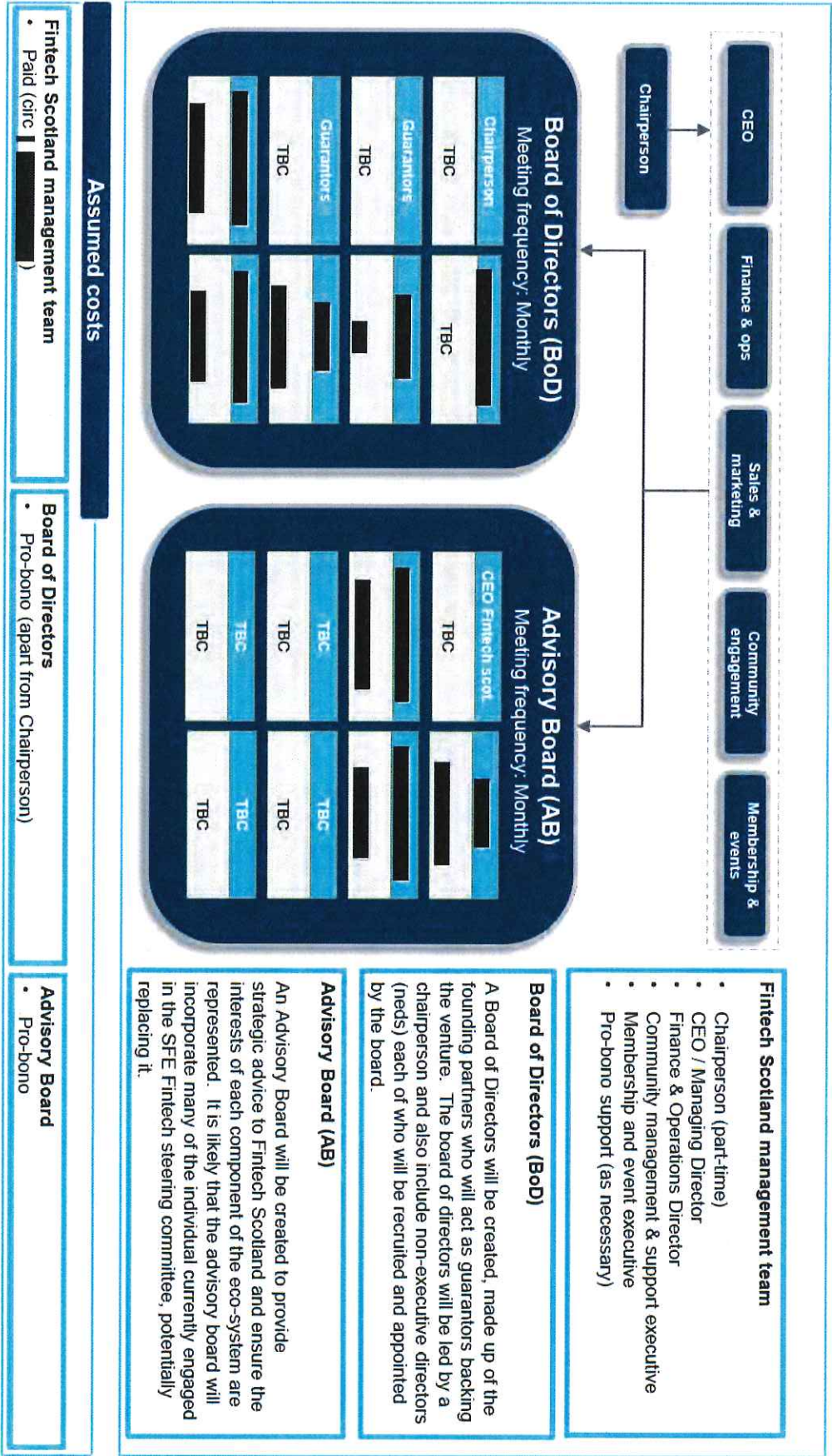


* Pro-bono support from across the community will also be encouraged and augment the efforts of the full time team

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The supporting governance structure around Fintech Scotland

Following recent conversation it has been proposed that the structure of Fintech Scotland's governance consists of 2 mains boards. A board of directors that will set direction and monitor objectives, finances and performance of the entity, and an advisory board that will help shape future directions, opine and provide direction of the entity, and support in identifying and overcoming any risks to success.



In the interim stage before a full Board of Directors & Advisory Board are available – the CEO of Fintech Scotland should utilise the expertise & help from the SFE Fintech Steering Committee who could act as an interim Advisory board for the initial weeks & months of Fintech Scotland.

Establishing Fintech Scotland as an entity

Draft terms of reference – Board of Directors

The following outlines the initial terms of reference that should be in place to govern the board of directors. Going forward any adjustments required will be made at the discretion of the board members, based on voting principles set out below.



Standing agenda items

The chairperson will be responsible for the agenda which will include, but not be limited to:

- Welcome & previous minutes / actions.
- Financial performance and pipeline.
- Strategic focus – 1 month look ahead.
- People and resourcing.
- Community engagement.
- Risk / Issues.
- Any other business.

Key responsibilities

The primary function of the Board of Directors is to set vision, direction, and objectives for Fintech Scotland. Given the infancy of Fintech Scotland the board will have a close relationship with and detailed understanding of the running of Fintech Scotland and act as a sounding board as the initiative evolves. Given the venture is backed by guarantors, who will sit on the BoD, a heavy focus will also be on financial performance and projections. Key duties will include:

- Responsible for formulating the overall vision and ambition for Fintech Scotland.
- Responsible for formulating, guiding and setting direction of Fintech Scotland.
- Responsible for tracking the finances and performance of the entity against agreed guarantor covenants.
- Responsible for holding the CEO Fintech Scotland to account against agreed metrics and targets.
- The Board of Directors will approve recruitment requests coming from Fintech Scotland. Responsibility for recruitment beyond levels directly below the CEO will be made within Fintech Scotland.
- Responsible for approval and sign-off of annual plans and budgets.
- The board should act as a sounding board for the CEO Fintech Scotland to present and ratify new initiatives.
- NEDs will come from across the Fintech sector, it will be the duty of the chairperson to ensure diversity across needs recruitment and appointment. Typical NED tenure will be 2 years.

Escalations

Any unresolved issues from the day-to-day management of Fintech Scotland will be brought to the board by the CEO. The board of directors will have final approval on actions suggested to resolve. Any unresolved issues at bod will be escalated to financial services advisory board (FISAB).

Quorate	Meeting frequency	Reporting and supporting data
<ul style="list-style-type: none"> • The Board of Directors will be considered quorate if the chair and CEO + 2 members of the listed guarantors are in attendance. Deputies representing each of the above will be accepted. • Matters arising will be decided by a majority of votes, with the chairperson's votes carrying the casting vote. 	<ul style="list-style-type: none"> • The BoD will meet on a monthly basis for the first 6 months. Beyond that decision will be made on whether this can extend to quarterly. 	<ul style="list-style-type: none"> • Support packs will be completed by the BoD secretariat and should be circulated 5 working days before the BoD meet. • Draft minutes from the meeting will be circulated no later than 10 days after the meeting. • Any special / emergency meetings required will be called at the discretion of the chairperson. The same quorate principles will apply.

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Draft terms of reference – Advisory Board

The following outlines the initial terms of reference that should be in place to govern the Advisory Board. Going forward any adjustments required will be made through the escalation to the Board of Directors for discussion as set out below.



Standing agenda items

The Chairperson will be responsible for the agenda which will include, but not be limited to:

- Welcome & previous minutes / actions.
- Business performance update.
- Finances and commercial update.
- People and resourcing.
- Community engagement.
- Risk / Issues.
- Any other business.

Key responsibilities

The primary function of the Advisory Board is to provide subject matter expert (SME) advice into the vision, direction and operation of Fintech Scotland. Key responsibilities will include:

- Providing input into the shaping of Fintech Scotland's vision and associated business plan.
- Support in determining success factors and how these should be monitored.
- Opining on the organisational structure of Fintech Scotland and helping source appropriate talent.
- Helping identify risks to success and establishing the steps that can be taken to mitigate identified risks.
- Support in defining the ongoing commercial opportunities to help evolve the business.
- Support in defining and executing an appropriate marketing strategy.
- Acting as a single voice and promoting Fintech Scotland across respective networks.
- From time to time providing pro-bono support to specific initiatives.

Overall the advisory board will be act as a sounding board on both day-to-day operational issues, and the strategic outlook. This board is crucial in supporting Fintech Scotland's vision through proving expert 'been there, done it' input and guidance.

Escalations

Any unresolved issues of disagreements emanating from this board should be escalated to the Board of Directors for discussion and agreement on appropriate way forward.

Quorate	Meeting frequency	Reporting and supporting data
<ul style="list-style-type: none"> • The Advisory Board will be considered quorate if the CEO, 1 HMT Fintech envoy, and 1 or more additional standing member is in attendance. Deputies representing each of the above will be accepted. • Matters arising will be decided by a majority of votes, with the chairperson's voted carrying the casting vote. 	<ul style="list-style-type: none"> • The Advisory Board will meet on a monthly basis for the first 12 months. Beyond that decision will be made on whether this can extend to quarterly. 	<ul style="list-style-type: none"> • Support packs will be completed by the AB secretariat and should be circulated 3 working days before the AB meet. • Draft minutes from the meeting will be circulated no later than 5 working days after the meeting. • Any special / emergency meetings required will be called at the discretion of the chairperson. The same quorate principles will apply. • Additional guests will be included on the advisory board at the chairperson's discretion

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Funding required to establish & launch Fintech Scotland

The overall cost of establishing Fintech Scotland in the immediate term is highlighted below. Based on research this can be estimated with a high degree of confidence in the first year. Beyond this, a number of assumptions have been made to create a forecast for ongoing costs.

Expected costs – year 1

Item	Expected cost	Maximum	Minimum
Board of Directors costs			
Advisory Board costs			
Recruitment fees			
Company house set-up / domain name			
Legal fees			
Total expected cost - Year 1			

Operating costs beyond year 1

At this stage it is difficult to fully assess detailed year-on-year costs of Fintech Scotland. However, based on an assumed salary/expense increase of 5% every year, and increase in employees of circa 15% the following costs can be allocated.

Year	Total cost	New employee cost	New employees (assumption)
2			Recruitment of 1 new L2
3		-	-
4			Recruitment of 1 new L2
5		-	-

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Fintech Scotland – organisational targets & success metrics

For Fintech Scotland to achieve this level of financial & organisational success, it is important to track the performance of Fintech Scotland to ensure support can be given to the entity and its ventures over time. The following sets out an initial set of metrics that should be tracked to monitor performance in the early stages. Adjustments to these metrics should be made as the discretion of the Fintech Scotland management team, and following approval by board of directors.

Performance metric type	Example metrics	Example targets	Monitoring
Fintech Scotland's financial performance	Performance in line with business case metrics	Monitoring in line with initial business case projections	Monthly
	Fintech Scotland becomes profitable	2 years from inception	Quarterly
	Profit to reinvest in Fintech in Scotland	> £1m in first 12 months	Quarterly
Fintech Scotland's success at [redacted]	Fixed term / community desk occupancy	£1m community desks by end of 2017	Monthly
	Strong 'incoming' pipeline in place	£1m pipeline by end of 2017	Monthly
	Strong 'exiting' of Fintechs	2-3 'graduates' in Year 1	Quarterly
	Strong and active engagements in events	£1m subscription by end of Year 1	Monthly
Fintech Scotland's customers	Number of Fintech Scotland members	£1m members in 2017 / £1m year-on-year growth	Monthly
	Member satisfaction	NPS £1m 'strong'	Quarterly
	Engagement across Scotland	£1m agree initiatives is across Scotland (poll)	Quarterly
Fintech's growth in Scotland	Growth of Fintech companies in Scotland	£1m in Year 1	Quarterly
	Growth in Fintech investment	£1m year-on-year growth	Quarterly
	Growth in inward investment	£1m growth in Fintechs attracted to Scotland.	Quarterly
	Growth of jobs in Fintech in Scotland	£1m year-on-year	Quarterly
Fintech Scotland employee satisfaction & growth	Number of Fintech Scotland employees	£1m growth year-on-year	Quarterly
	NPS scores for Fintech Scotland employees	Over £1m y end of Year 1	Quarterly
Fintech's impact on academia and education	Number of new Fintech related courses in place across Scotland	> 10 new course across Scotland by Year 2	Quarterly
	Engagement across Scotland	Schools programmes in place by Year 1	Quarterly
	Position in Global Fintech Hub Federation report	Top 10 Fintech hub globally	Annually
Fintech Scotland's global profile and eminence	Number of international Fintech events	> 6 events per annum	Annually
	Edinburgh / Glasgow host city for major Fintech event	By end of Year 1	Annually

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Dependencies on network partners incl. commitment & ownership

In order to accelerate the creation of Fintech Scotland and related governance a number of immediate dependencies have been recognised. It is important that these dependencies and requests for support from across network partners is progressed to enable Fintech Scotland to be established as soon as possible.

*Immediate dependency	Partners that can support	Commitment already in place / latest status
Funding and initial capital investment secured to commence recruitment of Fintech Scotland team.	TBC	To be confirmed once business plan is complete and meeting undertaken with Minister Wheelhouse on 27 th June.
Identifying likely candidates to Fintech Scotland and supporting recruitment activities.	SFE members Specific recruitment agencies (Carlyle / MBN / Adam appts.)	Initial request made to SFE group on 22 nd May. Follow-up requests underway across the network. 1 candidate currently suggested. Initial (non-obligation) discussion undertaken with a recruitment firm to consider existing untapped talent in the market. Discussion required at SFE steering committee to determine short-list / interview structure.
Committing support to articulating the Fintech Scotland entity, defining articles of association and fully registering the organisation as a not-for-profit enterprise.	Burness Paul SFE members Deloitte	Burness Paul / Deloitte already supporting in this activity. Entity name secured at Companies House. Dependency currently on finance being approved to support next stage of Companies House registration. Requirement to secure domain names.
Identifying appropriate candidates to form the board of directors / advisory board.	SFE members	Early stage discussion have started on who should make up each committee – 3 attendees currently identified. Activity here should accelerate on appropriate of business plan / entity structure. Short-list to be presented at SFE Fintech steering committee for approval.
Creation of detailed terms of reference (lots) and reporting templates	SFE members (secretariat?)	Early discussions have started on whether SFE steering committee secretariat could start this activity. On approval of the suggested entity structure this activity should be accelerated.

* A number of additional dependencies will likely emerge as the plan evolves, tracking and managing these should form part of Fintech Scotland's overall responsibilities

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Immediate steps to establish & launch Fintech Scotland

In order for Fintech Scotland to launch at pace it is important that immediate next steps are taken to both build momentum and execute on the steps required to stand-up the initial Fintech Scotland entity.

Action required	Timing	Owner	Dependency
1. Progress the set-up of Fintech Scotland entity	Q3 2017	Burness Paull	Approval of funding
- Workshop to agree the articles of association / roles & responsibilities	July	As above	As above
- Articles of association submitted / company incorporated	August	As above	As above
- Domain names secured and registered to Fintech Scotland	September	As above	As above
2. Recruitment Fintech Scotland management team	Q3 2017	SFE Fintech steering group	Approval of funding
- Recruitment agent appointed / suggested candidates submitted	June	As above	As above
- Short-list drawn-up / interviews completed	August	As above	As above
- Appointments made	September	As above	As above
3. Appoint board and advisory members			
- Identify who from existing SFE / Fintech community will sit on each committee	July	SFE Fintech steering group	None
- Appoint roles / agree start dates	September	SFE Fintech steering group	None
4. Establish governance committees structure and reporting	Q3 – q4 2017	Fintech Scotland / SFE steering	Appointment of Fintech Scotland
- Document and agreed detailed terms of reference (tors) for each committee	August	SFE steering group	As above
- Document reporting templates for communicating across governance structure	August	SFE steering group	As above
- Inaugural meetings held / reporting commences	September	Fintech Scotland	As above
- Finalise and publish amended success metrics	October	Fintech Scotland	As above



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