



## **Glossary of terms for consumers using banking services in the Isle of Man**

Note: this glossary is intended to assist consumers by providing very basic information regarding terms that they may come across when banking in the Isle of Man. More detailed information is also available on our website: [www.iomfsa.im](http://www.iomfsa.im)

419 Fraud	Type of fraud named after the article of the Nigerian Criminal Code dealing with fraud. Fraudsters ask for help to transfer money out of another country in return for a promise of a percentage of the money. See 'advanced fee fraud'.
Advanced fee fraud	A type of fraud where the victim believes that they will receive a large sum of money, if they first pay a fee to release it, e.g. for a supposed lottery win, the victim may be asked to pay processing fees, transfer charges, or taxes. For assisting in moving money from another country, the victim may pay out for certificates; bribes; travel expenses etc.
AER (Annual Equivalent Rate)	<p>This illustrates what the interest rate would be if interest was paid and compounded (added to the account) once a year.</p> <p>Advertisements for savings products quoting an interest rate will contain an AER, allowing people to compare what return they can expect from their savings over time.</p>
Annuity	A financial product that is designed to pay a fixed sum of money each year, typically for the rest of life. On the death of the buyer, the amount remaining in the product may be forfeit (unless the contract includes other beneficiaries).
Anti-Money Laundering ("AML")	Efforts made to avoid accepting or transferring money that has been generated from criminal activity.

APR (Annual Percentage Rate)	<p>The rate of APR quoted in a loan agreement will depend on the type of loan; whether it is a secured loan, an unsecured loan, and whether you have a good credit record or a bad credit record.</p> <p>It is intended to give people a more accurate idea of how much they are being charged when they borrow money. It allows people to compare the total cost of borrowing money for different types of loan, and lengths of time.</p>
Assets	Things that have a positive monetary value.
Available balance	The money in an account that is available to be paid away. It should include card authorisations not yet debited to the account, booked foreign exchange payments, cheques credited that are subject to recourse, etc.
BACS (Bankers Automated Clearing System)	Payment method for sterling only, operating within the UK, the Channel Islands, and the Isle of Man. The service may be subject to a charge. The payment is received as cleared funds, usually 3 working days after despatch.
Base Rate	Interest rate offered by the Bank of England to banks.
BIC (Bank Identifier Code)	The standardised code used to identify the receiving bank for international payments within Europe. It is a number that is 8 characters in length.
Bonds	For banks in the Isle of Man, this term is sometimes used to describe a type of deposit that pays a fixed interest rate for a defined period of time. (There are other types of bonds).
Capital	<p>A bank's capital is the money that the owners of the bank have provided to set up the bank.</p> <p>Your capital is the money that you place with the bank in a deposit account or in an investment.</p>
CHAPS (Clearing House Automated Payments System)	Electronic payment method for sterling payments, operating within the UK, the Channel Islands, and the Isle of Man. The payment is sent via the UK Clearing System,

	is usually received on the same day as it was sent, and is considered to be cleared funds. A charge is levied on the sender.
Cleared funds	A balance in a bank account that is available to be withdrawn.
Common Reporting Standard ("CRS")	New global standard for automatic exchange of tax information developed in the context of the Organisation for Economic Co-operation and Development (OECD). The Isle of Man will commence reporting data for 2016 in 2017/2018.
"Cooling off" period	There is no "cooling off" period for banking (deposit) products.
Countering the financing of terrorism ("CFT")	Efforts made to avoid accepting or transferring money that has been generated from terrorist activity, or has been amassed for the purpose of undertaking terrorist activity.
Credit rating agency	An international institution that assesses and gives grades to banks, e.g. Moody's, Fitch, Standard & Poor's. Generally, only larger banks will seek a credit rating.
Credit reference agency	Agencies based in the UK that will provide lenders with information about potential borrowers. The lenders will use this information to consider whether to grant a loan.
CSP	Corporate Service Provider – a business that sets up, and provides administration services to, companies, often for investment purposes.
Custody	Buying, selling and holding shares on a customer's behalf.
Customer Due Diligence ("CDD")	Banks operating on the Isle of Man are required to obtain information regarding their customers' identity, and to verify this information using appropriate source documents, e.g. passport and utility bill. This procedure is also referred to as 'Know Your Customer'.
Data Protection	Banks operating on the Isle of Man are subject to data protection legislation. The Office of the Data Protection Supervisor is the supervisory body. For further information, see <a href="http://www.gov.im/odps">www.gov.im/odps</a>

Deposit	The money that you hold in a bank account, whether a current account, or a savings/deposit account.
Deposit taker	Bank (or building society).
Depositors' Compensation Scheme ("DCS")	Protection for customers of banks in the Isle of Man. <a href="#">Click here</a> to see further details on our website.
Direct Debit ("DD")	An instruction from you to your bank, advising them that another organisation has your authority to collect varying amounts from your account. The organisation will give you advance notice of the amounts and dates of collection. (Sterling only).
Domicile	The place that is your permanent home for tax purposes (compare with non-dom).
European Union Savings Directive (EUSD)	Customers who are liable to pay tax within the European Union (including the UK and Eire) must permit disclosure of their details and the amount of interest income earned in the Isle of Man to their home tax authority.
Faster payments	Method of transferring funds from one bank account to another bank account in the UK, with funds usually credited as cleared funds the same day. (Sterling only).
FATCA (Foreign Account Tax Compliance Act)	Legislation in the USA that requires all banks to report certain information to the USA IRS regarding accounts that belong to US persons, whatever their country of residence.
FCA	Financial Conduct Authority. UK regulator that is responsible for the conduct regulation of all financial services firms in the UK. This includes acting to prevent market abuse and ensuring that consumers get a fair deal from financial firms. The FCA also operates the prudential regulation of those financial services firms that are not supervised by the PRA, such as asset managers and independent financial advisers.
Fixed rate	A set interest rate. The rate will be fixed for a specified period.
FSC	When used in the context of financial services in the Isle of Man, this refers to the historic entity, the Isle of Man Financial

	Supervision Commission. The functions of the FSC were transferred to a new statutory board, the Isle of Man Financial Services Authority ('IOMFSA') on 1 November 2015.
Gross interest	Interest paid by a bank to you, without the deduction of tax.
High Net Worth ("HNW")	Wealthy individual. The Isle of Man does not specify a figure for the amount of wealth, assets or income that would constitute high net worth.
Home regulator	The regulator in the country where a bank is incorporated. The IOMFSA is the home regulator for a number of banks incorporated in the Isle of Man.
Host regulator	The regulator in the country where the branch of a bank is operating. The IOMFSA is the host regulator for branches of banks incorporated outside the Isle of Man.
IBAN (International Bank Account Number)	Standardised format for bank account numbers. It includes a country code, bank code, sort code (UK banks) and clearing account number. It is used for international payments within Europe.
Identity theft	The illegal use of someone else's personal information. Criminals may use this information to steal from a person or to obtain credit or other benefits in that person's name.
IFA (Independent Financial Adviser)	Qualified adviser on financial planning and investments. IFA's must be licenced by a regulator.
Investment	Purchase of shares, commodities, bonds, etc; anything where there is a risk of a reduction in the capital. It is recommended that professional advice is sought.
IOMFSA (Isle of Man Financial Services Authority)	Statutory board of the Isle of Man Government, responsible for Isle of Man financial services. The functions of the FSC and the IPA were transferred to the IOMFSA on 1 November 2015.
IPA (Insurance and Pensions Authority)	Historic entity that licenced and regulated general insurance products and pensions. The functions of the IPA were transferred to a new statutory board, the Isle of Man Financial Services Authority ('IOMFSA') on 1 November 2015.

Know Your Customer (“KYC”)	Banks on the Isle of Man are required to obtain information regarding their customers’ identity, and to verify this information using appropriate source documents, e.g. passport and utility bill. Also referred to as ‘Customer Due Diligence’.
Lead regulator	The regulator in the country where the bank or group head office is based. For most banks based in the Isle of Man, the lead regulator is overseas. The lead regulator may also be a home regulator.
LIBOR	London Interbank Offered Rate – interest rate offered by a group of banks to other banks in the London wholesale money market.
Licence	All banks operating on the Isle of Man must be licensed by the IOMFSA. There are stringent requirements that must be met and maintained.
Licence condition	Specified actions, permissions or prohibitions that may be imposed by the IOMFSA on individual banks in addition to the standard licensing requirements. These are publicly available, and can be accessed on the IOMFSA website – <a href="#">Click here to see the licenceholder register</a> .
Liquid/Liquidity	Assets available as cash, or can be quickly converted into cash. Banks have large, high value assets, but not all of these are immediately available to meet customers’ needs. The IOMFSA’s regulations specify that a proportion of a bank’s assets must be held in liquid form.
Maturity date	The date on which funds are available for repayment/release from either fixed deposits or structured deposits.
MCOB compliant mortgage	“Mortgage Conduct of Business” – the UK FSA’s requirements for firms with mortgage customers. It is not applicable to banks in the Isle of Man providing mortgages on properties in the Isle of Man but can be applicable to banks in the Isle of Man providing mortgages on properties in the UK.
Money laundering	The process of disguising criminal money, to give it a more legitimate appearance.

Mortgage lending	<p>A loan which is secured against a property (residential or commercial) and is normally repayable over a long period of time (e.g. 20 or 25 years). If you do not keep up with the repayments the lender has the right to take possession of the property under the terms of the mortgage.</p> <p>Isle of Man lending institutions, if they are not banks, are registered with the Office of Fair Trading, which will issue a Money Lenders Licence. Mortgage brokers are not subject to a licensing or approval regime.</p>
Non-dom	<p>Non-domiciled, i.e. living in a country (e.g. UK), but with the intention of leaving in the future to return to your domicile (permanent home). This may mean that you are only liable for tax in the UK on earnings generated in, or brought into, the UK.</p>
Notice account	<p>A deposit account where a set period of notice must be given prior to any withdrawal to avoid charges. The account usually earns a higher return than a current account, but a penalty will be incurred if funds are withdrawn without giving the required notice.</p>
Office of Fair Trading (OFT)	<p>Isle of Man Government body that provides advice and mediation support to consumers.</p>
Ombudsman	<p>The Isle of Man Financial Services Ombudsman Scheme is operated by the Office of Fair Trading. The Ombudsman has powers to arbitrate in disputes between individuals and banks (and other providers of financial services) in the Isle of Man.</p>
Overdraft	<p>Money that you have borrowed from a bank, usually by making a withdrawal from a current account. For an overdraft facility to be approved by the bank, there may be a fee and interest charged. An unauthorised overdraft (or exceeding an agreed overdraft limit) is likely to incur high charges and interest rates.</p>
Penalty	<p>A charge incurred if a withdrawal is made from an account without giving the required period of notice, or before the end of the contracted period for a fixed deposit. The</p>

	penalty may take the form of a set amount, the loss of interest, or both.
Phishing	Attempting to obtain confidential information by imitating a genuine organisation, usually by spoof email and fake websites.
PPI	Payment Protection Insurance. An insurance product that should provide repayments for a loan if circumstances prevent the borrower from earning income to service the debt.
PRA	Prudential Regulation Authority. UK regulator that is part of the Bank of England. Responsible for the prudential regulation and supervision of banks, building societies, credit unions, insurers and major investment firms. See also FCA.
Private banking	Services offered by some banks to wealthy or HNW individuals, usually including investments. The services offered and clients served vary from bank to bank.
Regulator	The body that sets the rules / laws for banks operating in that country to follow. The Isle of Man Financial Services Authority ("IOMFSA") is the regulator for banks operating in the Isle of Man. Most countries have a similar regulatory body. See also Home, Host, and Lead regulator.
Residence (country of)	The country where you are living. This may not be your permanent home for tax purposes (see domicile).
Ring fencing	<p>Recommendation made by the Independent Commission on Banking ("ICB")* in the UK in 2011, that British banks should 'ring-fence' their retail banking divisions from their investment banking arms to safeguard retail deposits against riskier banking activities. Work is ongoing to determine how this will be implemented.</p> <p>(*Also referred to as the Vickers report, after the Chairman of the ICB, John Vickers.)</p>
Standing order ("SO")	An instruction from you to your bank to pay a set amount at regular intervals to another's bank account.

Subsidiary	A company that is controlled by another company through the ownership of more than 50% of its voting stock.
SWIFT (Society for Worldwide Interbank Financial Telecommunications)	Electronic payment method for international payments, and UK and Isle of Man foreign currency payments. A charge is imposed on the sender, and may also be levied on the recipient. The time from despatch to receipt varies for different countries.
Taxation of bank deposit interest	Interest earned on deposits in banks in the Isle of Man is paid gross. It is the customer's responsibility to declare earned interest to their relevant tax authority. Also see: European Union Savings Directive (EUSD).
Terms and conditions (T&Cs)	The contract that a bank makes to provide services to customers; and the conditions that the customers agree to.
The Commission	When used in the context of financial services in the Isle of Man, this refers to the historic entity, the Isle of Man Financial Supervision Commission. The functions of the FSC were transferred to a new statutory board, the Isle of Man Financial Services Authority ('IOMFSA') on 1 November 2015.
TSP	Trust Service Provider – a business that provides administration services for trusts, often for investment purposes.
Variable rate	An interest rate that can be changed by the bank. The rate may be contractually linked to that published by an external party, e.g. the Bank of England base rate, or it may be changed at the bank's discretion.