

# Licenceholder News

Welcome to the 13<sup>th</sup> edition of the Financial Supervision Commission's (FSC's) news bulletin, which gives a brief overview of recent initiatives and events that may be of interest to licenceholders.

## General Supervision Update

### FSC Merger with the Insurance and Pensions Authority (IPA)

Further to the [Press Release](#) of 10 April, the process for merging the FSC and IPA is now well underway. The secondary legislation merging the two regulatory bodies was approved by Tynwald in March and the remaining elements of it will come into effect on 1 November 2015. At that time, the FSC and IPA will be replaced by a new statutory board – the Isle of Man Financial Services Authority.

Interviews for the Chief Executive of the new Authority are currently taking place, overseen by a subcommittee comprising existing members of both the IPA and FSC boards. John Aspden will be staying on as Chief Executive of the FSC until 31 October 2015 in order to accommodate the implementation timeframe.

### Consumer Awareness Webpage

The FSC's website now contains an updated [Consumer Awareness](#) page, which includes —

- general awareness points
- Frequently Asked Questions (FAQs) on financial advice, funds and banking
- explanatory guides on financial advice and investing, and related press releases
- details on compensation schemes for banks and Authorised Schemes
- details on the complaints process for financial service providers
- links to public warnings
- useful links to assist consumers in identifying investment fraud and scams.

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## Current Consultations

- [Secondary Legislation for the DNFBP Bill 2014](#)
- [Equity and Loan Crowdfunding](#)

See page 5 for further details.

## Poll Results: Filtered Rule Book

Feedback was sought in Issue 12 as to whether readers used the [Class-filtered Rule Book](#) on the FSC website. A total of 52 responses were received with 81% of respondents saying that they used the filtered version of the Rule Book. Some useful suggestions were received which will be considered when updating the website in future. The FSC is grateful to those who took the time to respond.



## Banking Update

### FSC Approach to Banking Supervision (and Domestic Systemically Important Banks)

As a result of significant changes and developments in the sector (internationally and locally), the FSC will be preparing a proposed policy statement covering its approach to banking supervision, including specific sections covering branches. The policy will also develop the concept of Domestic Systemically Important Banks (**D-SIBs**) and critical functions, in both subsidiary and branch models (Phase 1) and when such models are acceptable. It will also cover the core themes of prudential supervision and conduct supervision (including AML/CFT). The approach will need to be developed further (Phase 2) to encompass recovery and resolution.

In conjunction with this work, the FSC will also be consulting on proposals for identifying (and assessing) D-SIBs, and its approach to supervising them. This follows on from the earlier issuance of a discussion paper and industry feedback.

The proposed policy statement (phase 1) and consultation on D-SIBs is expected to be issued by the end of July 2015.

### Structured Deposits and Packaged Bank Accounts

Following the questionnaire on packaged bank accounts issued to industry in September 2014, and a review of banks' responses, the FSC provided feedback to the sector at the end of February 2015. The FSC is considering if any changes should be made to the Rule Book for structured deposits as a result of earlier research and will consider the position for packaged bank accounts in due course.

### Lending Data

The FSC issued proposed new reporting forms and guidance to the banking sector on 30 April 2015, for comments to be provided by 30 June 2015. The proposals are considered necessary to enable the FSC to enhance its desk-based monitoring of banks' credit books, help compliance with international principles for banking supervision and also enable better macro oversight of the banking sector, including differentiating between lending on and off-island. This will also assist with other work such as systemic importance.

Subject to feedback, the FSC hopes that banks can start to provide completed data on a test basis for September 2015 submissions, with a view to embedding final forms into the quarterly prudential reporting cycle for either the December 2015 or March 2016 reporting set.

### Basel III (Capital Adequacy and Leverage)

Further to the update in [Issue 12 \(Jan 2015\)](#), the FSC expects to issue a formal consultation by the end of June 2015 on proposals to implement changes to capital adequacy requirements, and introduce a leverage ratio reporting regime.

### Basel III (Liquidity)

Further to the update in [Issue 12 \(Jan 2015\)](#), work on developing a discussion paper outlining proposals for changes to the liquidity framework has progressed, and the FSC expects to issue this by the end of May 2015.

### Banking Statistics

[Deposit base figures](#) and [quarterly banking statistics](#) covering the period to 31 December 2014 were published on 3 March 2015.

## Depositors' Compensation Scheme (DCS) Update

### DCS 1991 re BCCI S.A.

Further to the update in [Issue 12 \(Jan 2015\)](#) (regarding the termination of the fund established in relation to the default of BCCI S.A. (the **Fund**)), on 26 February 2015 the FSC, as Scheme Manager of the Fund, resolved to terminate the Fund forthwith. As a result of this,

money representing compensation sums not claimed have been paid to the general revenue of the Island (depositors are still entitled to claim the funds from Treasury upon proof of entitlement being provided as long as the funds have not been forfeit). Once the final audit of the Fund has been completed (for year ended 31 March 2015) and all costs

have been paid out the Fund, a final payment will be made to original participating banks.

### DCS 2008 re KSFIM

The total recovery to date remains at 100p in the £. There has been no update from the joint liquidators on the timing or amount of any future dividends.

## Fiduciary Services Update

### Guidance on Directorships, Trusteeships and Similar Responsibilities held by Directors and Key Persons of Licenceholders

On 25 March, the FSC updated the above [guidance to TCSPs](#). The new version —

- includes increased emphasis on context and the quality of support that is given to individuals acting directors and trustees
- includes increased emphasis on directors and trustees having skills which are relevant to the particular roles that they take on
- draws attention to the need for directors and trustees to have enough time to carry out their functions properly
- clarifies that the directors of corporate directors and directors of corporate trustees would be held responsible for the decisions of those corporate directors and trustees
- clarifies that licenceholders are expected to support directors and trustees who reject a transaction on the grounds of inadequate information or unresolved concerns over risk.

The guidance is linked to rules 8.4, 8.58 and 9.4 of the [Financial Services Rule Book 2013](#).

### Fraudulent Money Transfers and Implications for Cybersecurity

On 7 April, the FSC advised TCSPs that on two separate occasions in the past year fraudsters had plausibly impersonated clients and money had been paid away. Both situations involved e-mail. In one instance the clients' e-mail account had been hacked, meaning that the bogus payment request came from an apparently legitimate source. The FSC recommended that TCSPs take the opportunity to re-evaluate their exposure to this type of fraud and the effectiveness of their precautions against it.

### Upcoming Presentation to Trust and Corporate Service Providers (TCSPs)

The FSC will organise a lunchtime presentation to the TCSP sector in July 2015. The presentation is expected to cover —

- listed, quoted and other public companies — issues for TCSPs identified from visits
- insider trading risks in a TCSP context
- FSC guidance on directorships.

Further details will be provided in due course.

## Funds and Investment Services Update

### UK Secured Finance Fund

On 26 March, the FSC appointed Sarah Sanders and Alex Adam of Deloitte LLP to act as Joint Controllers of the UK Secured Finance Fund plc under section 13(1) of the Collective Investment Schemes Act 2008. The Joint Controllers envisage a period of investigation to ascertain the position of the Fund, following which they will provide an update to investors as to their proposed strategy for the Fund. Further information on the appointment can be found in the [Public Notice](#).

### MiFID II

The FSC issued a questionnaire in February seeking relevant information from Class 2 and Class 3 licenceholders to gauge the impact that the Markets in Financial Instruments Directive II (**MiFID II**) is likely to have on their businesses. Responses are under review.

### Fund Reporting Portal

The fund reporting portal, which was previously available to persons providing management or administration services to Authorised, Regulated, Qualifying, Specialist and equivalent funds in June 2014, was rolled out to firms servicing Exempt Schemes, Closed-Ended Investment Companies and Inward Outsourcing Arrangements in November 2014. The FSC is pleased with the way in which licenceholders are using the online reporting portal and encourages all relevant firms to use the portal to make the reporting process more efficient for all parties.

### Fund Statistics

The [quarterly fund statistics](#) covering the period to 31 December 2014 were published on 3 March 2015.

# Anti-Money Laundering and Countering the Financing of Terrorism Update

## Public Notices

- 1 Apr: [Britannia International Limited](#)
- 31 Mar: [UK Secured Finance Fund plc](#)
- 25 Mar: [Andrew Beeman](#)
- 5 Mar: [Kleinwort Benson Bank \(Isle of Man\) Limited](#)
- 27 Feb: [Schulte Corporate Services Limited](#)
- 30 Jan: [Sanne Corporate Services Limited](#)

## Sanctions Updates

- 24 Apr: [Al Qaida](#)
- 13 Apr: [Terrorism and Terrorist Financing, Belarus, Iran \(Human Rights\), Iran \(Nuclear Proliferation\)](#)
- 12 Mar: [Libya, Ukraine, Syria, Somalia, Central African Republic](#)
- 25 Feb: [European Union – Export Control](#)
- 16 Feb: [Ukraine, Russian, Yemen, Syria](#)
- 4 Feb: [Tunisia](#)
- 3 Feb: [Ivory Coast](#)

## AML/CFT Code 2015

The new [Anti-Money Laundering and Countering the Financing of Terrorism Code 2015](#) (the **Code**) came into force on 1 April 2015. The revised legislation includes —

- changes made to take into account the revised [FATF Recommendations](#) adopted in 2012
- changes in relation to simplified client due diligence concessions
- general amendments to improve the layout, flow and language of the Code.

In addition, [Schedule 4 to the Proceeds of Crime Act 2008](#) has been extended to cover —

- tax advisors
- payroll service providers
- controlled machines
- specified non-profit organisations
- virtual currency businesses.

For full details of the consultations on these pieces of legislation please click [here](#).

## Anti-Money Laundering & Financial Fraud Conference 2015

The next AML Conference is due to take place at the Palace Hotel in Douglas from 9.10 am to 1.15 pm on 21 May 2015 (registration from 8.45am).

The aims of the conference are to —

- provide an update on and practical information about the latest fraud techniques and trends
- highlight national and international developments in the area of anti-money laundering and countering the financing of terrorism.

The conference will be of interest to those responsible for AML policy and managing risk within their organisations. Places are available on a first come first served basis. The cost per delegate is £110 (including VAT).

Parties who may be interested in attending but have not already received an invitation can register through Eventbrite [here](#).

## Consultations

### Government Consultations

The Government's central consultations register may be accessed [here](#). Current and future Government consultations that may be of interest to licenceholders are listed in the table below.

### Closed Consultations and Summaries

Information on closed FSC consultations, including summaries of responses, may be accessed [here](#).

### Credit Unions

Following the [recent consultation](#), the FSC is continuing its research on legislation that will allow credit unions to operate in the Island. Subject to Ministers' approval, this research is expected to lead to a consultation on a Credit Unions (Amendment) Bill and associated powers for the FSC to supervise such entities.

Department	Status	Consultation Topic	Link / Contact
FSC	1 May to 12 June 2015	<a href="#">Draft secondary legislation for the Designated Businesses (Registration and Oversight) Bill 2014</a>	Mrs Shirley Corlett <a href="mailto:shirley.corlett@fsc.gov.im">shirley.corlett@fsc.gov.im</a>
FSC	16 April to 12 June 2015	<a href="#">Equity and Loan Crowdfunding</a>	Mrs Shirley Corlett <a href="mailto:shirley.corlett@fsc.gov.im">shirley.corlett@fsc.gov.im</a>

### Have feedback?

The FSC is keen to receive feedback on the form and content of the Licenceholder News bulletin. Please click the link below to email us with any suggestions or comments you might have.

[Email Feedback](#)

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