



**ISLE OF MAN
FINANCIAL SERVICES AUTHORITY**

Lught-Reill Shirveishyn Argidoil Ellan Vannin

SPRING UPDATE
NEWSLETTER – MARCH 2016

MESSAGE FROM THE CHIEF EXECUTIVE

The Authority’s First ‘Update’ Newsletter

The time has passed quickly since the formation of the new Isle of Man Financial Services Authority. Hopefully our first update will provide an overview of what continues to occupy us, what our priorities are and what lies ahead.

The last five months have been a time of simply getting to know things: the staff, our board, the industry as represented by our regulated entities and associations, and our partners in the Isle of Man Government. During this time as an organisation we have been reviewing our priorities, re-confirming our core work and assessing what we might add.

We have initiated some internal reviews to find out if there are areas where we can improve our processes, facilitate integration and cross-over activities within the merged organisations and enhance our engagement with our stakeholders. All of this takes time and we need to temper and balance any changes ahead with due regard to what is already on our plates, and yours.

Your feedback through our meetings has been helpful and will continue to inform how we move forward.

I hope you enjoy the newsletter and we welcome your feedback.

Karen Badgerow
Chief Executive

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Keep Updated – RSS

To keep up-to-date with all of the latest developments from the Authority, please subscribe to the **RSS feed** on the Authority’s website: www.iomfsa.im.

GENERAL UPDATE

Transfer of Functions

The functions of the Financial Supervision Commission ('FSC'), the Insurance and Pensions Authority ('IPA') and the Insurance and Pensions Supervisor were transferred to the Isle of Man Financial Services Authority on 1 November 2015. For background in relation to the merger, including previous Press Releases, please visit the [Merger Webpage](#) on the Authority's website.

Website Review

A review is being undertaken to assess the effectiveness of the Authority's website to ensure that the website is easy to navigate and, where appropriate, the website allows users to become more self-sufficient and therefore make the website the preferred 'first point of contact' for those seeking information on the Authority and its activities. The Authority sought feedback from users of its website in February 2016 and a short questionnaire was available for completion. The

feedback received is currently being considered. Please email donna.shimmin@iomfsa.im if you have any further comments or suggestions in relation to the website.

National Risk Assessment ('NRA')

Speakers from the Cabinet Office and other organisations recently gave briefings to the following sectors in respect of the Island's NRA:

Deposit Takers – 28 Oct 2015

Trust and Corporate Services – 26/27 Nov 2015

Funds and Investment Business – 26 Jan 2016

The Authority contacted money transmission businesses separately in September 2015. The briefings covered a range of topics, including: the World Bank methodology which has been adopted by the Island; plans for publication of a summary of the NRA in early 2016; the work of each sector and priorities selected; action points for the Authority as the regulator of each sector; and the MONEYVAL visit in April–May 2016.

Public Notices

- 13 Jan 16: [Adrian Lindsay Jones \(Licence Granted\)](#)
- 8 Jan 16: [Oceanic Asset Backed Finance Limited \(Licence Surrendered\)](#)
- 10 Nov 15: [Application for Appointment of Additional Member](#)
- 24 Sep 15: [Appointment of Members](#)
- 11 Sep 15: [Public Statement – Suitability of Financial Advice](#)

Public Warnings

- 15 Mar 16: [Private Wealth Builder](#)
- 4 Dec 15: [duncanlawriep-bnk.com](#)
- 1 Dec 15: [WeRe Bank](#)

Sanctions Updates

- 15 Mar 16: [Terrorism and Terrorist Financing, North Korea, Al Qaida, Ukraine, Central African Republic](#)
- 17 Feb 16: [Iran – Nuclear Proliferation, TOC\(FR\)A 2014 – Revocation of Final Designation](#)
- 25 Jan 16: [EU Sanctions, Andrey Kostantinovich Lugovoy, Dmitri Vadimovich Kovtun](#)
- 19 Jan 16: [Iran – Partial Lifting of Sanctions](#)
- 8 Jan 16: [Russia, Syria](#)
- 11 Dec 15: [Somalia, Afghanistan](#)
- 11 Nov 15: [Burundi, Yemen](#)
- 9 Sep 15: [EU Sanctions – Yemen](#)

BANKING

Recovery and Resolution

The Authority, in conjunction with the Isle of Man Government, recently attended two tripartite meetings with representatives from Jersey and Guernsey on recovery and resolution for banks and how this might be developed locally. One of these meetings was attended by representatives of the Bank of England in order to receive an update on current thinking in the UK, and consider how the UK approach relates to the Crown Dependencies. This confirmed that the Island's main role, for those UK groups that are regarded as systemic in both the UK and the Island, will be to support and facilitate effective cross-border resolution in the event that becomes necessary.

Lending Data

Relevant banks are required to complete the Authority's new lending data forms on a 'best endeavours basis' for the period ending 31 March 2016, for submission by 30 April 2016. A small number of banks submitted data for December 2015, which the Authority subsequently reviewed and found only limited errors in data consistency.

Basel III (Capital Adequacy and Leverage)

On 21 December 2015, as part of its work towards implementing Basel III, the Authority issued a [summary of responses](#) to its consultation on proposals to implement changes to the capital adequacy regime for Isle of Man-incorporated deposit takers. The Authority intends to implement the new capital standards and reporting requirements in 2017 with a view to the rules coming into effect from 1 July 2017 (with first reporting due for the quarter ending 30 September 2017).

Basel III (Liquidity)

Further to the discussion paper issued to banks in July (for comments by 7 October 2015) detailing proposals for changes to the liquidity framework for Isle of Man-incorporated deposit takers, the Authority issued feedback to banks on 8 February 2016. The Authority will be preparing a local consultation on this topic later in the year.

Discussion Paper on New Types of Deposit Taking Licences

The Authority issued a [Press Release](#) on 4 January 2016 regarding a [discussion paper](#) on proposals to create three separate Class 1 (deposit taking) licence types. The discussion period closed on 5 February 2016 and the Authority plans to issue a summary of responses and detailed consultation in due course.

Domestic Systemically Important Banks ('D-SIBs') Consultation

The Authority issued a [Press Release](#) on 18 February 2016 in relation to a [consultation](#) on proposals to establish and implement a regulatory and supervisory framework for D-SIBs. The consultation is open until 31 March 2016.

Quarterly Banking Statistics

[Deposit base figures](#) and [quarterly banking statistics](#) covering the period to 31 December 2015 were published on 29 February 2016 and 17 March 2016, respectively.

INSURANCE AND PENSIONS

Insurance (Amendment) Bill 2016

The IPA issued a [Press Release](#) on 30 September 2015 in relation to a [consultation](#) on the Insurance (Amendment) Bill 2016. The main purpose of the Bill is to implement changes needed to take account of developments in international insurance regulatory standards. In addition, a number of further amendments to existing provisions were proposed. The consultation was extended for 3 weeks and closed on 2 December 2015. The Authority plans to issue a summary of responses in due course.

2nd Quantitative Impact Study ('QIS2') for Long Term Insurers

The IPA issued a [Press Release](#) on 2 October 2015 regarding the QIS2 [consultation for authorised life insurers](#), which requested life insurers to complete their submissions by 31 March 2016. The consultation sets out the timescales for the QIS2 exercise, describes changes to the 'Standard Formula' being tested in QIS2 compared with that for QIS1, and provides additional guidance on some aspects of the calculation in order to promote consistency of approach across respondents. The Authority will issue the consultation findings in due course.

2nd Quantitative Impact Study ('QIS2') for Authorised Non-Life Insurers

The IPA issued a [Press Release](#) on 30 October 2015 in respect of the launch of the QIS2 [consultation for authorised non-life insurers](#). Following feedback received, the Authority decided to end this QIS2 exercise earlier than planned to enable some of the themes arising

from feedback to be addressed before further work is undertaken by industry in this respect. A [Press Release](#) to this effect was issued on 15 February 2016. The Authority plans to launch a QIS3 exercise in Summer 2016.

2016 Fees – IA08 and RBSA00

On 18 December 2015, the Authority issued a [Press Release](#) regarding a [consultation](#) on the draft Insurance (Fees) Regulations 2016 in respect of the 2016 fees for entities regulated under the Insurance Act 2008 ('IA08') and Retirement Benefits Schemes Act 2000 ('2000'). The purpose of the regulations is to prescribe the application and annual fees charged to entities regulated by the Authority under the IA08 and RBSA00 with effect from 1 April 2016. The consultation period closed on 26 January 2016 and the Authority plans to issue a summary of responses in due course.

Insurance (Supplementary Information) Regulations 2016

The Authority issued a [consultation](#) on 29 February 2016 regarding draft Insurance (Supplementary Information) Regulations 2016. The draft Regulations set out the required reports and information (the 'supplementary information') required by section 14(4) of the IA08 to be submitted by insurers to the Authority at the same time as the audited accounts of the company are submitted. The consultation was open until 11 March 2016. In view of the short consultation period, the Authority contacted relevant insurers directly to discuss the proposals and obtain feedback prior to issuing its [consultation findings](#) on 15 March 2016.

FIDUCIARY SERVICES

Auditor Requirements for Isle of Man Companies

The FSC issued a [Press Release](#) on 6 October 2015 as a reminder of relevant auditor requirements for Isle of Man companies. Further information can be found on the [Auditors](#) webpage of the Authority's website.

Feedback to Trust and Corporate Service Providers ('TCSPs')

In August and September 2015, FSC staff gave presentations to TCSPs about regulatory and other issues primarily when providing services to public companies. The presentations covered two specific themes:

- Procedural and governance matters to consider when providing services to public companies
- Precautions against insider dealing, market abuse and market manipulation.

The presentations also covered the updated guidance issued in March 2015 regarding the provision of directorships and trusteeships.

A summary of the presentations can be found [here](#).

National Risk Assessment ('NRA')

Further to the general update on the NRA (see page 2), the Authority's main focus for TCSPs has been to improve aggregated information on Anti-Money Laundering and Countering the Financing of Terrorism ('AML/CFT').

The Authority has detailed information on individual firms obtained during on-site visits, but the Authority does not currently collect AML/CFT data across the TCSP sector as a whole in a way that allows for the identification of patterns and trends. The Authority plans to bring forward plans for an on-line AML/CFT return in 2016.

FUNDS AND INVESTMENT SERVICES

Alternative Investment Fund Managers Directive ('AIFMD')

In a [letter](#) published by the European Securities and Markets Authority ('ESMA') on 19 January 2016, the European Commission confirmed the inclusion of the Isle of Man on the second wave of reviews in respect of the potential 3rd Country AIFMD passport.

ESMA has requested additional information, including in respect of enforcement of regulations and the relative size of inflows into the EU.

The Authority is currently working on providing the required responses to assist with ESMA's review.

Quarterly Fund Statistics

The [quarterly fund statistics](#) covering the period to 31 December 2015 were published on 17 March 2016.

UPDATES ON AML/CFT

GENERAL AML/CFT UPDATES

MONEYVAL Onsite Assessment 2016

The Authority issued a [Press Release](#) on 20 January 2016 in respect of the new **MONEYVAL Onsite Assessment 2016** webpage, which can be accessed under the 'Independent Assessment' heading on the Authority's homepage. The webpage provides background to the onsite visit that will be undertaken by MONEYVAL in April–May 2016 and includes details of seminars that will be offered to professional bodies of financial and non-financial sectors in advance of the visit. This webpage will also be used before and after the onsite visit to provide any necessary updates regarding the assessment. A [Press Release](#) from the Cabinet Office was issued on 10 March 2016.

AML/CFT Handbook Update

The **AML/CFT Handbook** and associated sector specific guidance were updated on 1 December 2015 following implementation of the Designated Businesses (Registration and Oversight) Act 2015 and the transfer of functions to the Authority. Further information can be found in the [Press Release](#).

There is a further update planned to the AML/CFT Handbook for 1 April 2016, which will take account of the revised Financial Action Task Force ('FATF') Country Risk Lists and also make some other minor changes. A Press Release will be made at the appropriate time.

DESIGNATED BUSINESSES

Designated Businesses (Registration and Oversight) Act 2015 ('DBROA15')

The **DBROA15** came into operation on 26 October 2015 with the following secondary legislation:

- [Des. Bus. \(Fees\) Order 2015](#)
- [Des. Bus. \(Civil Penalties\) Order 2015](#)
- [Des. Bus. \(RO\) \(Amendment\) Order 2015](#).

Delegation of Powers

The Authority has agreed to delegate some of its powers of oversight under section 6 of the DBROA15 to the following professional bodies:

- [Institute of Chartered Accountants in England and Wales](#)
- [Association of Chartered Certified Accountants](#)
- [Isle of Man Law Society](#)

- [Institute of Financial Accountants](#)
- [International Association of Bookkeepers](#)
- [Institute of Certified Bookkeepers](#).

Members of these bodies may elect to be overseen by their professional body under the DBROA15 by making an election at registration.

Access to the Online Portal

Some users may have encountered issues connecting to the Designated Business online portal (www.iomdnfbp.co.im) in November 2015. The problem was identified and corrected, however if you encounter any difficulties in future please email internetsupportteam@iomfsa.im or telephone +44 (0)1624 689306.

General Enquiries

For general AML/CFT enquiries, please feel free to email the AML Unit at aml@iomfsa.im.

MOVING FORWARD (1/2)

CONSULTATIONS

IOM Government Consultations

The Isle of Man Government's central consultation register can be accessed [here](#). Current consultations that may be of interest to readers are listed in the table at the bottom of the page. Information on closed consultations issued by the Authority, including summaries of responses, may be found [here](#).

Financial Services Tribunal Rules

The **Financial Services Tribunal Rules 2015** ('2015 Rules') were approved by Tynwald on 21 October 2015. The 2015 Rules replace the **Financial Services Review Regulations 2001** for all appeals against certain decisions made by the Authority under the Financial Services Act 2008 or the Designated Businesses (Registration and Oversight) Act 2015.

The 2015 Rules came into operation on 30 October 2015 and provide further clarity in the processing of appeals and enable the tribunal to award costs. Any appeals that had already been started will continue under the **Financial Services Review Regulations 2001**, but any appeals made from 30 October 2015 will follow the 2015 Rules.

Credit Unions

In June 2015, the FSC published the summary of responses to its early 2015 **consultation** on the outline proposals for a credit union regime. In February 2016 Treasury confirmed (in Tynwald) its support for the FSA's planned revisions to the Credit Unions Act 1993 and to provide a dedicated compensation scheme for savers. The FSA is liaising regularly with relevant parties and hopes to publish a draft Credit Unions (Amendment) Bill for consultation soon.

Crowdfunding and Amendments to the Regulated Activities Order, Fees Order and Exemptions Regulations

The Authority's consultation on **Draft Legislation and Licence Conditions for Crowdfunding Platforms and other amendments to the Regulated Activities Order, Exemptions Regulations and Fees Order** closed on 31 January 2016. Responses have been considered and a summary of responses and next steps will be published in the near future.

CURRENT CONSULTATIONS

DEPARTMENT	STATUS	CONSULTATION TOPIC	LINK / CONTACT
IOMFSA	2 Oct to 31 Mar 2016	CP15-06 QIS2 Exercise for Long Term Insurers	Mr Neil Taverner neil.taverner@iomfsa.im
IOMFSA	Closed (See page 4)	CP15-07 QIS2 Exercise for Non-Life Insurers	Mr Neil Taverner neil.taverner@iomfsa.im
IOMFSA	18 Feb to 31 Mar 2016	Domestic Systemically Important Banks (‘D-SIBs’)	Mr Andrew Kermode andrew.kermode@iomfsa.im

MOVING FORWARD (2/2)

FUTURE DEVELOPMENTS

Consultation Policy

The Authority is currently reviewing its approach to public consultation and the way in which it engages with the financial services sector and other stakeholders to assist with the development of legislative and regulatory policy initiatives. The Authority expects to publish details of its Consultation Policy within the next few months. Whilst the Authority endorses the **Isle of Man Government Code of Practice on Consultation**, it is hoped that publication of its

own specific Consultation Policy will provide greater clarity for stakeholders and lead to greater engagement, transparency and effectiveness in the consultation process.

Financial Services Rule Book

The Authority will be issuing a consultation on proposed updates to the **Financial Services Rule Book 2013** this year. Subject to the outcome of the consultation, the updated Rule Book is planned to come into effect in early 2017.

COMMUNITY AND CHARITY INITIATIVES

Charity Fundraising Initiatives

Staff raised over £2,400 in 2015 for the **Alzheimer's Society**, the FSC's nominated charity for the year. Activities included a fund-raising day in which staff brought in homemade sweet and savoury snacks for sale in the office along with donations for an instant raffle. A number of staff also took part in the annual charity Santa Dash, with sponsorship money going towards the total raised for the nominated charity.

A further £230 was raised at a dedicated fund-raising day for the **Mann Cat Sanctuary** in March 2015. In December 2015, staff arranged a collection of food items for the **Isle of Man Food Bank / Housing Matters**.

Staff-nominated charities for 2016 are the **Parkinson's Society** and Isle of Man Food Bank. In addition to supporting those two charities throughout the year, staff organised a '**Wear it. Beat it.**' event for the **British Heart Foundation** on 5 February 2016 and raised over £220.

Have feedback?

The Authority welcomes feedback on its 'Update' newsletter. Please click the link below to email us with any suggestions or comments you might have.

[Email Feedback](#)

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