



ISLE OF MAN
FINANCIAL SERVICES AUTHORITY

Lught-Reill Shirveishyn Argidoil Ellan Vannin

SUMMER UPDATE

NEWSLETTER – ISSUE 2 – AUGUST 2016

MESSAGE FROM THE CHIEF EXECUTIVE

The start of the summer was met with the news that the United Kingdom had voted to leave the European Union and, with that, the need for us to be aware of possible impacts on the regulated sector. As these events continue to unfold, we will be thinking about any sector vulnerabilities and the opportunities and constraints this historic decision may impose.

Brexit also reminded us of the need to temper the desire for change with a reminder of what is good. On that note, the Authority has been mindful of the need to remain focused on key priorities. Core projects such as the Insurance Core Principles ('ICP') project and the roll-out of new initiatives such as crowdfunding and alternative banking have seen significant progress over the last quarter and we continue to engage with numerous parties who are interested in the opportunities that these new regimes provide. At the same time we have recently approved the first Isle of Man Credit Union for registration and wish Manx Credit Union Limited much success.

During the first six months of my tenure I spent time introducing myself to the industry to get familiar with the Island's financial system and key participants. These last few months have been much more inward-focused, as I have been broadening my understanding of the industry through the lens of our processes and regulation and the work of our team. I look forward to engaging in a second round of more informal conversation with the industry in the coming months.

The creation of the new Authority has been a continuing journey. Staff have become more familiar with how each of the previous regulators operated and have started to *[continued on page 2]*

Contents

Message from the CEO	1
General Update	2-3
Public Warnings, Notices and Sanctions Updates	3
Sector Updates	4
Banking	4
Insurance and Pensions	4
AML/CFT Update	5
Designated Businesses	5
Moving Forward	6-7
Consultations	6
Future Developments	7

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.

MESSAGE FROM THE CHIEF EXECUTIVE (CONT.)

[continued from page 1] consider what the Authority ‘brand’ should look and feel like, both internally and to our stakeholders.

Earlier this year we embarked on a significant process review which we have labelled the ‘Programme for Change’. This programme is intended to capture all significant change projects at the Authority, be it internal focusing (such as our HR programs, operational and decision-making processes) or external facing (including the policies and processes that impact our regulated entities).

We have taken a bit more of a stem to stern approach as we started our review focusing on the point of entry into the Authority, that being our vetting and authorisation processes. Our goal across this program is to have more common processes—though not to be mistaken for identical, as we recognise that different sectors may warrant some level of different treatment—and more streamlined processes that avoid unnecessary duplication.

Over time the Programme for Change will also be looking at our supervisory processes and policy. These changes will take time and we are mindful of the time needed by both our external stakeholders and indeed our staff to fully digest and implement any proposed changes. These changes are being fully considered by staff through formal focus groups and workshops, and we will have a dedicated implementation team to help guide staff through these changes. The views of the industry are also important and we have started that engagement through some informal discussions with representatives from the industry and will now consider how we more formally engage as we start to formulate our future state processes.

I hope you have all had a healthy and fruitful summer and I look forward to our future discussions as the Authority shortly embarks on Year 2.

Karen Badgerow
Chief Executive

GENERAL UPDATE

EU Adequacy Decision on Oversight of Recognised Auditors

On 21 June 2016, the Authority was declared a competent authority by the European Commission for the purposes of the Recognised Auditor regime for market traded companies. Further information can be found in the associated [Press Release](#) of 8 August 2016 and the [Auditors](#) webpage on the Authority’s website.

Consultation on Implementation of New EU Wire Transfer Regulations

On 12 August 2016, the Authority issued a [Press Release](#) in relation to a consultation by the Cabinet Office on implementation of the European Union (Information Accompanying Transfer of Funds) Order 2016 and the Information Accompanying Transfers of Funds Regulations 2016. Further detail on the consultation can be found [here](#).

GENERAL UPDATE

Manx Credit Union

On 23 August 2016, the Authority issued a **Press Release** announcing that it had agreed to the registration of the Isle of Man's first credit union. Manx Credit Union Limited was registered by the Government's Central Registry on 22 August 2016 and will be supervised by the Authority under provisions in the Credit Unions Act 1993.

Website Update

Work continues on the review of the Authority's website following feedback received earlier in 2016. Further updates will be provided in the coming months to outline improvements.

Quarterly Fund Statistics

The **quarterly fund statistics** for the period to 31 March 2016 were published on 16 June 2016.

Public Warnings

21 Apr 16: **First National Bank and Trust Company and First National Trust Bank & Co (Isle of Man) Ltd**

Public Notices

2 Aug 16: **City Trust Limited (Licence Surrendered)**

2 Aug 16: **Habib European Bank Limited (Licence Surrendered)**

2 Aug 16: **Active Services Limited (Licence Surrendered)**

2 Aug 16: **LK (Fiduciaries) Limited (Licence Surrendered)**

25 Jul 16: **Leinster Management Limited (Licence Surrendered)**

13 Jul 16: **The New Earth Group of Funds – Appointment of Joint Provisional Liquidators**

7 Jul 16: **Döhle Corporate and Trust Services Limited (Licence Extension)**

1 Jul 16: **Cayman National Fund Services (Isle of Man) Limited (Licence Surrendered)**

23 May 16: **Duncox Travel Limited t/a Island Travel (Licence Issued)**

20 May 16: **The Co-operative Bank plc (Licence Surrendered)**

11 May 16: **Senate Limited (Licence Surrendered)**

18 Apr 16: **P.P.S. Limited (Licence Surrendered)**

12 Apr 16: **Money Express (Finance) IOM Limited (Licence Surrendered)**

7 Apr 16: **Onyx Management Limited (Licence Surrendered)**

31 Mar 16: **Coutts & Co (Manx) Limited (Licence Surrendered)**

Sanctions Updates

24 Aug 16: **Iraq**

11 Aug 16: **ISIL (Da'esh) and Al Qaida, Terrorism and Terrorist Financing, Libya, Iran – Nuclear Proliferation**

24 Jun 16: **Ivory Coast, North Korea**

3 Jun 16: **Syria, Libya**

20 May 16: **EU Sanctions – Al Qaida, North Korea, Central African Republic**

9 May 16: **Iran**

BANKING

Alternative Banking Regime: New Types of Class 1 (Deposit Taking) Licences

From 31 March to 14 May 2016, the Authority **consulted** on detailed proposals to create three separate types of Class 1 (deposit taking) licence – Class 1(1): retail / non-restricted deposit-takers; Class 1(2): non-retail / restricted deposit takers; and Class 1(3): representative offices of foreign banks.

On 1 August 2016, the Authority issued a **Press Release** confirming that the alternative banking regime had come into operation following Tynwald approval of the legislation in July 2016. Further details can be found in the **Consultation Feedback** document, which identifies both the

revised legislation and non-legislative changes, as well as the **Press Release** of 26 August 2016, which provides links to the relevant legislation and documentation, including the **Guidance for Class 1(3) (Representative Offices of a Foreign Deposit Taker / Bank)**.

Further updates will be made to the Authority's website over the coming weeks to reflect to the updated framework.

Quarterly Banking Statistics

Deposit base figures and **quarterly banking statistics** for the period to 31 March 2016 were published on 9 and 16 June 2016, respectively.

INSURANCE AND PENSIONS

Insurance Core Principles ('ICP') Project

In addition to the Authority's ongoing supervisory programme, work continues to update a number of areas of the insurance regulatory framework as part of the ICP Project.

Insurance Group Supervision – Discussion Paper and Request for Information

On 29 April 2016, the Authority issued a **Discussion Paper** setting out the proposed framework for the supervision of insurance groups and considerations for authorised insurers. The paper included a request for information to be considered in the context of the matters set out in the paper. The closing date for responses was 10 June 2016 and responses are under review. The original Press Release can be found **here**.

2016 Insurance Business Roadmap

On 1 July 2016, the Authority issued its **2016 Roadmap** for updating the Isle of Man's regulatory framework for insurance business. The associated Press Release can be found **here**.

Response to Feedback on Conduct of Business Consultation and Consultation on Conflicts of Interest in Insurance Sales

On 7 July 2016, the Authority issued a **Press Release** in relation to publication of a response to feedback on the conduct of business consultation (**CP15-02**) and the publication of a further consultation on conflicts of interest in the insurance sales process (long-term business) (**CP16-03**). The closing date for comments on CP16-03 is 2 September 2016.

UPDATES ON AML/CFT

GENERAL AML/CFT UPDATES

Isle of Man Reinforces ML/TF Defences

On 24 March 2016, the Cabinet Office issued a **Press Release** concerning publication of the Island's **National Risk Assessment** and the Government's **National Strategy** in relation to its stance against money laundering and terrorist financing ('ML/TF'). The National Strategy document sets out priority goals and actions for the Island following a review of existing defences.

AML/CFT Handbook – Update

The Authority issued Press Releases on **15 July 2016** and **5 August 2016** concerning amendments to the Anti-Money Laundering and Countering the Financing of Terrorism ('AML/CFT') Handbook for licenceholders under the Financial Services Act 2008 and designated businesses under the Designated Businesses (Registration and Oversight) Act 2015. The amended AML/CFT Handbook can be found [here](#).

MONEYVAL Assessment

The MONEYVAL on-site assessment of the Isle of Man took place from 25 April to 7 May 2016. Work is currently being undertaken to agree the

draft report. Face-to-face meetings between Isle of Man authorities and MONEYVAL are scheduled for October 2016. The plenary meeting to agree the report is scheduled for December 2016. The report will be made public after the meeting.

AML/CFT & Financial Fraud Conference – 1 November 2016

The Authority's annual AML/CFT and Financial Fraud Conference will be held on 1 November 2016 in the Royal Hall, Villa Marina, Douglas from 8.45 am until 1.00 pm. The agenda is yet to be finalised but is expected to include updates from the Authority and Financial Intelligence Unit followed by guest speakers covering topics including terrorist financing, cybercrime, the new criminal offence of failure to prevent the facilitation of tax evasion, and financial fraud trends.

The agenda and booking details will be available on the Authority's website in due course.

AML/CFT Enquiries

For any AML/CFT enquiries, please email aml@iomfsa.im.

DESIGNATED BUSINESSES

Registration Update and Visit Cycles

There are currently 233 registered designated businesses and work continues to process the remaining applications. It is expected that the registration process will be completed in Q3 2016. External accountants currently represent the largest designated business sector, comprising 52% of existing registrants.

The Authority will commence its first cycle of visits to designated businesses in Q3 2016. It is planned to visit all designated businesses within the first three years, with focus being given to higher-risk businesses in the first year. Following completion of the first visit cycle, the Authority will begin a risk-based, six-yearly visit cycle.

For any queries regarding designated businesses, please email dnfbp@iomfsa.im.

MOVING FORWARD (1/2)

CONSULTATIONS

Isle of Man Government Consultations

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

3rd Crowdfunding Consultation Response

On 31 March 2016, the Authority issued a **Combined Response** to the third consultation on: (1) crowdfunding and the draft legislation and licence conditions for crowdfunding platforms; and (2) other non-crowdfunding related changes to the Regulated Activities Order, Financial Services (Exemptions) Regulations and Financial Services (Fees) Order. The original Press Release can be found [here](#).

The amendments to the **Regulated Activities Order, Financial Services (Exemptions) Regulations** and **Financial Services (Fees) Order** were approved at the April sitting of Tynwald and came into effect on 1 May 2016.

Financial Services Rule Book 2016

The Authority **consulted** on changes to the Financial Services Rule Book between 28 April and 19 June 2016. Following consideration of the comments received, it is intended that the Financial Services Rule Book 2016 will be laid before Tynwald for approval in Q3 2016 and replace the current Rule Book on 1 January 2017.

As part of the proposed changes to the Rule Book, Rule 5.20 relating to Auditors' letters on licenceholders' compliance with client money and client investments requirements has been replaced with a new requirement for an **Independent Factual Findings Report**. Comments on the content of the report were sought from stakeholders separately from the Rule Book consultation. The deadline for submissions on the report was 31 July 2016 and responses were subsequently reviewed. Meetings have been held with relevant parties to discuss responses. The final report format, along with some resulting amendments to the draft Rule Book, will be published in due course.

CURRENT CONSULTATIONS

DEPARTMENT	STATUS	CONSULTATION TOPIC	LINK / CONTACT
IOMFSA	7 Jul to 2 Sep 2016	CP16-03 Managing Conflicts of Interest in the Insurance Sales Process (Long-term business)	Mr Paul Ellison paul.ellison@iomfsa.im

MOVING FORWARD (2/2)

FUTURE DEVELOPMENTS

Insurance (Amendment) Bill

The Authority plans to issue a second Consultation Paper on the Insurance (Amendment) Bill in the coming months.

General Insurance Intermediaries

The Authority intends to issue a Discussion Paper setting out initial proposals for developing the existing framework for the supervision of general insurance intermediaries in the next few months.

Non-Life Insurance Sector – QIS1

The Authority plans to launch the first full Quantitative Impact Assessment ('QIS') for the non-life insurance sector in the coming months.

Life Insurance Sector – QIS2 and QIS3

The Authority is currently reviewing the results of the QIS2 exercise for the life insurance sector and plans to launch the QIS3 exercise in the next few months.

Credit Unions (Amendment) Bill

The Authority is currently reviewing a draft Credit Unions (Amendment) Bill and aims to issue a Consultation Paper on the Bill in the coming months. It is hoped that the Bill will begin its progress through the House of Keys after the 2016 General Election.

COMMUNITY AND CHARITY INITIATIVES

Charity Fundraising Initiatives

The Authority's staff-nominated charities for 2016 are the **Isle of Man branch of the UK Parkinson's Disease Society** and the **Isle of Man Food Bank**. Staff arranged a second collection of food items for the Isle of Man Food Bank in August 2016.

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](#)

ISLE OF MAN FINANCIAL SERVICES AUTHORITY

P O Box 58, Finch Hill House
Bucks Road, Douglas
Isle of Man, IM99 1DT

Phone: +44 (0)1624 646000
Fax: +44 (0)1624 646001
E-mail: info@iomfsa.im
Website: www.iomfsa.im