



ISLE OF MAN
FINANCIAL SERVICES AUTHORITY

Lught-Reill Shirveishyn Argidoil Ellan Vannin

SUMMER UPDATE
IOMFSA NEWSLETTER – ISSUE 4 – JULY 2017

FOREWORD BY THE CHIEF EXECUTIVE

“We seek to understand the business of, and risks posed by, regulated entities: this allows us to prioritise our work, focus on what truly matters and take actions proportionate to the benefit received.”

Over the last 6 months, the Authority has been settling in some internal structural changes to provide better support for areas of high priority. To this end, leadership responsibilities for Supervision have been divided between Andrew Kermode and Colin Manley who are responsible for (Bank, Funds and Investment Services) and (Insurance, Pensions and Fiduciary Services) respectively. This structure will enable the Authority to dedicate more senior level involvement in high priority matters. As a compliment to this we have also created a Senior Enterprise Risk Role, held by Michael Weldon, which will allow us to give greater attention to

internal and external challenges facing the Authority as well as our licenceholders, and also to start to frame our approach to enhanced horizon scanning.

During this same time we have also been working, in concert with the Isle of Man Government, on the introduction of the Beneficial Ownership regime and developing supporting guidance thereto. We led well-attended sessions hosted by the Association of Corporate Service Providers (‘ACSP’) on the Authority’s guidance and proposed oversight model and will continue to work closely with the database’s host, Companies Registry, to respond to any queries in regards to the new database. We will be developing some Q&As to support the program in the coming weeks.

Engagement with the insurance industry continues as we start

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FOREWORD BY THE CHIEF EXECUTIVE (CONT.)

to think about the implementation phase of the Insurance Core Principles ('ICP') Project and the locking down of critical dates. As these requirements draw nearer, firms are spending more time assessing implications for their business models and starting to factor in these changes. This feedback is important to the Authority and we will continue to engage at all levels in the industry to ensure that the views of both individual firms and as a collective are being heard. We are also looking ahead to determine the important next steps towards a Solvency II

equivalence assessment for the Life industry. Although this is contemplated to become a more active piece of work towards the end of some of the key work streams, we recognise that the Brexit negotiations may create some competition for resources, some of who may be involved in this assessment, and thus the need to plan ahead. I hope you enjoy the Summer Update and wish you all a healthy and safe summer.

Karen Badgerow
Chief Executive

GENERAL UPDATE (1/2)

Revised fees legislation – 1 April 2017

On 22 March 2017, the Authority issued a [Press Release](#) regarding the implementation of revised legislation for fees under the Financial Services Act 2008 ('FSA08'), Insurance Act 2008, Retirement Benefits Schemes Act 2000 and Collective Investment Schemes Act 2008 ('CISA08') from 1 April 2017.

Change relating to Fitness & Propriety Assessments – Police Check Procedure

On 24 March 2017, the Authority issued a [Press Release](#) regarding a procedural change for police checks in connection with fitness and propriety assessments under the FSA08, CISA08 and Designated Businesses (Registration and Oversight) Act 2015 ('DBROA15').

Change to office opening hours

From 3 April 2017, the Authority's opening hours changed to 9.00 am to 5.00 pm Monday to Friday.

Clients' Assets Report – FAQs

On 5 May 2017, the Authority issued a [Press](#)

[Release](#) regarding the publication of [Frequently Asked Questions](#) ('FAQs') on the Clients' Assets Report ('CAR') introduced on 1 January 2017 for licenceholders under the FSA08. Relevant information can be found on the [Compliance Support](#) webpage of the Authority's website.

Beneficial Ownership Act 2017 ('BOA17') – Guidance

On 29 June 2017, the Authority issued [guidance](#) under section 4(4) of the BOA17. The guidance was laid before Tynwald in June 2017.

Powerhouse Insurance Limited ('PIL')

On 13 July 2017, the Authority published its report to the Treasury Minister following the independent review by Mr Charles Flint QC on the role of the Insurance and Pensions Authority in relation to the failure of PIL. Further information, including a copy of the report, can be found in the associated [Press Release](#).

Guidance for consumers about investing

The Authority is currently finalising an updated

GENERAL UPDATE (2/2)

guide for consumers about investing in conjunction with the Isle of Man Office of Fair Trading, which will be made available on the Authority's website in due course.

Fees – Banking, Funds and Investment Services, Fiduciary Services and Pensions

Annual fee invoices for the above sectors were issued by the Authority at the beginning of July 2017 with payment due by 1 August 2017. Fees are calculated in line with the [Financial Services \(Fees\) Order 2017](#), the [Collective Investment Schemes \(Fees\) Order 2017](#) and the [Registered Schemes Administrators \(Fees\) Order 2017](#). Payment details are included on the

invoices. If you have any queries regarding your invoice, please contact Sarah Davidson at Sarah.Davidson@iomfsa.im or on 689312.

Credit Unions (Amendment) Bill ('Bill')

The Authority's consultation on the draft Bill ([CP17-02/T03](#)) was open from 10 March to 25 April 2017. A Consultation Response ([CR17-01/T03](#)) summarising responses and next steps was published on 7 June 2017, and the Authority is now working towards the preparation of a final draft Bill which it hopes will progress through the House of Keys after the summer recess. It is the intention that credit unions will then become regulated under the FSA08.

Have feedback?

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

[Email Feedback](#)

UPDATES FROM OUR REGULATED SECTORS (1/3)

BANKING

Domestic Systemically Important Banks ('D-SIBs')

The Authority issued a draft Supervisory Policy Statement on D-SIBs on 20 March 2017 for comments by 30 April. Limited feedback was received and the [Supervisory Policy Statement](#) was subsequently finalised and issued on 30 June 2017. The Authority plans to undertake its first assessment of banks in the second half of 2017.

Quarterly Banking Statistics - 31 Dec 2016

[Deposit base figures](#) and [quarterly banking statistics](#) for the period to 31 December 2016

were published on 3 March 2017.

Quarterly Banking Statistics - 31 Mar 2017

[Deposit base figures](#) and [quarterly banking statistics](#) for the period to 31 March 2017 were published on 31 May 2017.

Guidance for Applicants seeking a Class 1(2) Deposit Taking Licence

On 28 March 2017, the Authority issued a [Press Release](#) regarding the publication of [guidance](#) for applicants seeking a Class 1(2) (restricted deposit taking) licence.

FUNDS AND INVESTMENT SERVICES

Consultation on Collective Investment Schemes ('CISs') – CEICs and Other Matters: Draft Legislation (CP17-04/T05)

On 28 April 2017, the Authority issued a [Consultation Paper](#) to obtain information, views and evidence in relation to proposed changes to legislation in respect of Closed-Ended Investment Companies ('CEICs') and other matters in relation to CISs. The consultation closed on 26 May 2017 and responses are currently being reviewed. A Consultation Response will be issued shortly. Please see the [Press Release](#) and [CP17-04/T05](#) webpage for more information.

Discussion Paper on Draft Guidance Note – Governance of CIS (DP17-01/T02)

On 19 May 2017, the Authority issued a [Discussion Paper](#) to obtain views in relation to the draft Guidance Note on Governance of Collective Investment Schemes prior to its finalisation and formal issuance by the Authority. Responses were requested by 14 July 2017 and are currently being reviewed. A Feedback Statement will be issued in due course. Please refer to the [Press Release](#) and the [DP17-01/T02](#) webpage for further information.

The Eco Resources Fund PCC plc ('Eco') – Appointment of deemed Official Receiver and Provisional Liquidator

On 16 March 2017, His Honour the Deemster Doyle, sitting in the High Court of Justice of the Isle of Man, heard an application from the Authority seeking an order to wind up Eco under sections 162(6) and 164(1)(d) of the Companies Act 1931. His Honour granted the applications by

Orders and appointed Mr Gordon Wilson of CW Consulting Limited as deemed Official Receiver and Provisional Liquidator of Eco. Further information can be found in the [Press Release](#).

Class 2 – Financial Adviser Questionnaire

On 27 June 2017, the Authority issued a questionnaire to all Class 2 licenceholders to reach out to those involved in advisory business to find out more about the current status of two aspects of the advisory sector, being pensions and a follow up to a Financial Adviser questionnaire issued in 2014. For completeness, the questionnaire was sent to all Class 2 licenceholders, however not all parts of the questionnaire will be relevant to all recipients. Responses are sought by 28 July 2017 for pension questions, and 1 September 2017 for the Financial Adviser follow-up exercise.

The New Earth Group of Funds (in liquidation) – Update

Further to the Authority's [Press Release](#) of 8 December 2016 regarding a change in one of the Joint Liquidators appointed in respect of the New Earth Group of Funds, the Joint Liquidators published [an update to investors and creditors](#) on 10 July 2017.

Quarterly Fund Statistics – 31 Dec 2016

The [quarterly fund statistics](#) for the period to 31 December 2016 were published on 3 March 2017.

Quarterly Fund Statistics – 31 Mar 2017

The [quarterly fund statistics](#) for the period to 31 March 2017 were published on 31 May 2017.

INSURANCE AND PENSIONS

Insurance (Amendment) Bill 2017 ('Bill')

The Bill completed its legislative process through the House of Keys and Legislative Council at the end of March 2017 and received Royal Assent on 18 July 2017. The new and amended provisions will be implemented by Appointed Day Orders on a phased basis in line with the implementation of the supporting secondary legislation.

QIS4 – Life Insurers (CP17-03/T04)

On 7 April 2017, the Authority issued a **Consultation Paper** containing the 4th Quantitative Impact Study ('QIS4') for life insurers. QIS4 was completed on 30 June 2017 and responses are currently being reviewed. Further information can be found in the **Press Release** and the **CP17-03/T04** webpage.

Insurance Conduct of Business (Long Term Business) (CP17-05/T06)

On 5 May 2017, the Authority issued a **Consultation Paper** on the Draft Insurance (Conduct of Business) (Long Term Business) Code 2017. The consultation closed on 16 June 2017 and a response will be published in due course. Further information can be found in the **Press Release** and on the **CP17-05/T06** webpage.

June 2017 Roadmap for Updating the Isle of Man's Regulatory Framework for Insurance Business ('Roadmap')

On 30 June 2017, the Authority issued its latest update to the **Roadmap** to reflect developments over the past 6 months and to look ahead to plans for the new year. Further information can be found in the associated **Press Release**.

Group supervision

The Authority has identified the life insurance groups for which it anticipates being group supervisor and has advised the relevant insurers accordingly. Discussions will take place during July 2017 to discuss the calculation of group solvency for those groups and the completion of a QIS exercise for those groups.

QIS4 – Non-Life Insurers

QIS4 for non-life insurers is due to be launched in July 2017, with results to be submitted by the end of October 2017. QIS4 includes a number of amendments and simplifications where appropriate on the basis of the Authority's review of the non-life QIS3 results.

FIDUCIARY SERVICES

Assets of client companies and trusts

During 2017/18, the Authority's visit programme for the Trust and Corporate Service Provider ('TCSP') sector will emphasise themed visits on the securing and protection of non-monetary client assets. This will include reviewing how assets such as real estate, works of art, yachts and aircraft are safeguarded. The programme will cover more than 20 TCSPs of different sizes and

will be followed by feedback to the sector on examples of practices found and of any risks to be addressed. The visit programme aims to enhance the protection of customers and to reinforce good practice across the sector. Post-licensing visits will take place as usual. To free resources for themed visits, there will be fewer full-spectrum supervisory visits in 2017/18 than in previous years.

PUBLIC NOTICES, WARNINGS AND SANCTIONS

Public Notices

- 12 Jul 17: **Computershare Investor Services (IOM) Limited (Licence Surrender)**
- 4 Jul 17: **Capital Fund Services Limited (Licence Surrender)**
- 28 Jun 17: **CGG Limited (DNFBP Deregistration)**
- 22 Jun 17: **Browne Craine Escrow Services Limited (DNFBP Deregistration)**
- 21 Jun 17: **Scarlett Corporate Services Limited (Licence Surrender)**
- 13 Jun 17: **Peter J Monahan & Co (DNFBP Deregistration)**
- 13 Jun 17: **Willis Towers Watson Administration (Isle of Man) Limited (Licence Surrender)**
- 2 Jun 17: **Diana Weale T/A Niche Health Solutions (Registration Expiry)**
- 31 May 17: **Balla Brokers (Insurance Services) Limited (Registration Expiry)**
- 24 May 17: **Zurich Bank International Limited (Licence Surrender)**
- 10 May 17: **MK Ventures Ltd (DNFBP Deregistration)**
- 10 May 17: **Syapps Limited (DNFBP Deregistration)**
- 24 Apr 17: **LMS Partners Limited (Licence Issued)**
- 20 Apr 17: **Irish Permanent International (Isle of Man) Limited (DNFBP Deregistration)**

- 20 Apr 17: **Irish Permanent (IOM) Limited (DNFBP Deregistration)**
- 4 Apr 17: **Knox Financial Services Limited (Licence Surrender)**
- 28 Mar 17: **Conviction for contraventions of the AML/CFT Code 2015**
- 16 Mar 17: **The Eco Resources Fund PCC plc (Qualifying Fund)**
- 9 Mar 17: **The Eco Resources Fund PCC plc**

Public Warnings

- 23 Feb 17: **Financial Models Corporation / Financial Models Company**

Sanctions Updates

- 12 Jul 17: **Syria, Export Control Orders, Isil Da'esh and Al Qaida, Iran (Nuclear Proliferation), Central African Republic**
- 19 Jun 17: **North Korea, Terrorism and Terrorist Financing**
- 26 Apr 17: **Iran (Human Rights), Afghanistan, Ukraine**
- 10 Apr 17: **Yemen**
- 24 Mar 17: **Iraq, Libya, Egypt**
- 10 Mar 17: **Republic of Guinea-Bissau, South Sudan, Sudan, Democratic Republic of the Congo, Somalia, UN and EU Sanctions, Ukraine**
- 23 Feb 17: **EU Sanctions – Syria, ISIL, Al-Qaida and Terrorism, North Korea**

UPDATES ON AML/CFT

GENERAL AML/CFT UPDATES

MONEYVAL Mutual Evaluation Report – 20 March 2017

On 20 March 2017, the Authority hosted an information session in the Royal Hall of the Villa Marina, Douglas in relation to the MONEYVAL Fifth Round Mutual Evaluation Report, which was published on 27 January 2017. The briefing comprised a general update regarding the report and the Authority's key work streams. This was followed by industry-specific breakout sessions which gave more detail regarding the findings for each industry. The session was attended by 287 delegates from all sectors of industry and appeared to be well-received.

Conviction for contraventions of the AML/CFT Code 2015

On 28 March 2017, the Authority issued a [Press Release](#) regarding the conviction and subsequent fining of an FSA08 licenceholder for

contraventions of the Anti-Money Laundering and Countering the Financing of Terrorism ('AML/CFT') Code 2015. Compliance with the Code is a key element in preventing the Isle of Man and its financial services industry being utilised by persons to launder the proceeds of crime or finance terrorism.

Customer Risk Assessment FAQs

On 6 July 2017, the Authority issued a [Press Release](#) regarding publication of [FAQs](#) in relation to undertaking customer risk assessments to supplement guidance under section 3.3 of the AML/CFT Handbook.

Updates to the AML/CFT Handbook

The Authority issued Press Releases on [11 April 2017](#) and [17 July 2017](#) regarding changes to Appendices D(a) and D(b) of the AML/CFT Handbook to reflect FATF Statements issued in February and June 2017, respectively.

DESIGNATED BUSINESSES

Registration update and visit cycle

There are currently 322 designated businesses registered under the DBROA15. External accountants represent the largest sector, comprising 47% of registered entities. Any changes to businesses must be made at the time of the change on the [DNFBP Portal](#) and any new designated businesses must register prior to business commencing.

The Authority has commenced its first cycle of visits to designated businesses, which will continue throughout 2017.

Annual returns

Annual returns for registered designated businesses are due on 31 October 2017. The annual return form will be available on the [DNFBP Portal](#) by 30 September 2017.

All designated businesses must be registered on [Themis](#) in order to be able to submit Suspicious Activity Reports ('SARs') to the Isle of Man Financial Intelligence Unit and to receive updates.

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

MOVING FORWARD

UPCOMING EVENTS

AML and Financial Fraud Conference – November 2017

The Authority's annual AML and Financial Fraud conference will take place in the Royal Hall of the Villa Marina, Douglas in November 2017. Further details will follow nearer the date.

COMMUNITY AND CHARITY INITIATIVES

Charity fundraising initiatives

A number of Authority staff will be taking part in the **Tough Mann Adventure Challenge 2017** to raise funds for the nominated charity for 2017, **The Guide Dogs for the Blind Association**. In addition, staff will be busy with a cake sale and raffle to raise more funds for the charity.

CONSULTATIONS

New IOM Government 'Consultation Hub'

The Government has recently launched a new **Consultation Hub** to make it easier to manage consultations and for people to respond. Members of the public and organisations are able to sign up to a mailing list to be alerted when new consultations are published and are also able to search for consultations by keyword, audience and area. Further information is available on the

Consultation Hub website. For avoidance of doubt, consultations issued by the Authority will continue to be published on the Authority's website.

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](#).

CURRENT CONSULTATIONS

DEPT / REF	CONSULTATION TOPIC	STATUS	LINK / CONTACT
IOMFSA CP17-06/T07	Information Gateways – Draft Amendment Orders	13 Jun to 25 Jul 2017	Miss Sarah Galovics Sarah.Galovics@iomfsa.im
Treasury Income Tax	Proposed New Pension Scheme to Provide Greater Pension Freedoms	18 Jul to 15 Sep 2017	Mr Paul Martin consultation@itd.treasury.gov.im

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