



ISLE OF MAN
FINANCIAL SERVICES AUTHORITY

Lugħt-Reill Shirveishyn Argidoil Ellan Vannin

ISLE OF MAN FINANCIAL SERVICES AUTHORITY

STRATEGIC PLAN 2018-2021



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INTRODUCTION FROM OUR CHAIR AND CHIEF EXECUTIVE

On behalf of the Board of Members and Executive of the Isle of Man Financial Services Authority (the “Authority”), we are delighted to introduce our first Strategic Plan.

The Authority was created in November 2015 as a result of the merger of the Financial Supervision Commission and the Insurance and Pensions Authority. Since that time, we have engaged in a comprehensive integration project to ensure that we take the very best of each regulator forward into our new Authority. We have experienced significant change and consolidation in the Isle of Man during this time which has also seen unprecedented global challenges to international financial services and regulation.

Under the leadership of our CEO, Karen Badgerow, we have developed a culture of being an open and transparent regulator, looking ahead and ready to tackle the challenges both locally and internationally. We will continue our focus on proportionate regulation, consumer protection, and constructive engagement with industry, our staff and other key stakeholders.

As we move forward towards achieving our long term goals and strategic objectives over the next three years, we will be guided by our core purpose, core values and key principles, all of which are set out in Part 3 of this Plan. We will assess ourselves each year to determine our progress in delivering our strategic objectives.

We are very fortunate to have a dedicated and talented team in the Authority, all of whom are instrumental in implementing this Strategic Plan.

We welcome any feedback you may have on our Strategic Plan.

Lillian Boyle
Chair of the Authority

Karen Badgerow
Chief Executive

PART 1: ABOUT THE ISLE OF MAN FINANCIAL SERVICES AUTHORITY

The primary function of the Authority is the regulation and supervision of the Island's financial services sector, comprising mainly banking, insurance, investment businesses, collective investment schemes, retirement benefit schemes, trust and corporate services, crowd funding platforms, and money transmission services.

The Authority also has an oversight and enforcement function in relation to Designated Businesses' adherence to AML/CFT legislation, as well as certain functions connected to such areas as audit, company officer disqualification and oversight of the beneficial ownership register.

The Financial Services Act 2008 (the "Act") sets out the Authority's regulatory objectives:

- Securing an appropriate degree of protection for policyholders, members of retirement benefits schemes and the customers of persons carrying on a regulated activity;

- the reduction of financial crime; and
- the maintenance of confidence in the Island's financial services, insurance and pensions industries through effective regulation, thereby supporting the Island's economy and its development as an international financial centre.

The Act sets out the Authority's specific regulatory functions and the matters to which we must have regard in discharging those functions. This Strategic Plan will guide us over the next three years in how we discharge our regulatory objectives and functions.

Our Long Term Goals

As a regulator, when setting our long term goals, we must be aware of the local and international environment in which we and our regulated sectors operate. In addition, we should be forward thinking, adaptable and agile so that we can achieve effective and proportionate regulation which meets the interests of consumers and industry whilst appropriately complying with the standards set out by international bodies. With that in mind, we have identified the following long term goals which will focus the effort of the Authority over the next 10-15 years:

- Continue to develop our identity and culture and to operate as a forward looking integrated regulator;
- Continue to develop our framework to provide appropriate protection for the financial interests of consumers;

- Continue to develop our framework to ensure consumers are appropriately informed of products, services and their risks;
- Fully implement a risk-based supervisory approach for every entity within our remit, including vulnerability to financial crime;
- Be an International Financial Centre which is recognised as effectively deterring financial crime;
- Undertake research and development alongside our stakeholders to enable a dynamic appropriately regulated financial sector; and
- To remain operationally independent and free from interference in the performance of our statutory responsibilities and use of resources while remaining accountable to Treasury and Tynwald.



Our Strategic Objectives

In pursuing our long term goals, we will focus on four key objectives for the next three years. These four strategic objectives will guide both the Board of the Authority and the Executive team in our approach to effective regulation and supervision, and in maintaining confidence in the Island's regulated sector thereby supporting the Island's economy.

1. Enhance the framework to protect consumers and deter financial crime

We will review and revise our supervisory framework to reflect the increasing demands for transparency by consumers, will be responsive to changing international standards, norms and requirements, and application will be reasonable and proportionate.

For AML/CFT, we will have a strengthened framework, including enhanced data requirements to improve our understanding and assessment of the risks, and incorporating new predictive tools to help address risks before issues emerge.

2. Enhance clarity around our regulatory, supervisory and enforcement processes

We will ensure improved understanding, by relevant stakeholders, of the Authority's expectations and requirements through updated regulatory and supervisory frameworks, supported by guidance and procedures which are easy to understand.

We recognise the importance of having one consistent framework to assess risks across all regulated entities. Our supervisory methodology project will focus on developing such a common supervisory approach for the Authority which is consistent, proportionate and transparent and we will ensure that regulated entities have a clear understanding of the nature of our risk-based supervisory approach and how we will supervise them.

Consistent with being a responsible international regulator, the Authority needs to continually review international developments and to ensure that any

consequential introduction of new rules and standards is on a proportionate and reasonable basis relative to the risks. Whilst we believe that it is important to have regulations that, in general, comply with international standards, it is equally important that all stakeholders understand the impact arising from these changes.

We will review and publish our decision making framework across key processes to bring clarity and transparency to how we seek to strike a balance between (a) protecting the reputation of the Island through effective and proportionate action, and (b) making sure that good quality candidates are not deterred from working in the regulated sector.

We will further develop our culture of constructive, open and transparent engagement with industry and other key stakeholders.

3. Encourage innovation and continuous improvement in all that we do

We recognise the importance for both the Island and the financial sector that new approaches and technologies are embraced so that changing consumer needs are met and the jurisdiction remains open and welcoming to such opportunities. The Authority will continue to work with industry and other stakeholders to ensure that our frameworks and overall approach provide the appropriate level of flexibility while mindful of the need to manage the risks to consumers and protect the reputation of the Island. Taking account of our priorities, we will ensure that we have allocated appropriate skills and resources to meet the challenge.

We will develop a consistent and easier way to share information with the Authority, which benefits from technology.

The Authority will develop an effective and appropriate action plan in response to the 2018 Industry Survey and will communicate this to industry.



4. Create an environment that enables staff to fulfil their potential

Our team is core to our success as an organisation. We will continue to develop a culture that allows all of our staff to thrive, develop and contribute to achieving our shared goals. This culture will help to retain staff and manage succession planning.

Building on what we do now we will ensure that our workplace environment and ethos reflect our desire to be known as both a “learning organisation” and a place where people want to work.

We will introduce a structured training and development programme for staff and Board members to ensure that our skill set remains current and relevant for the challenges at hand.

We will foster the next generation of leaders in regulation.

Strategic Risks

In pursuing our strategic objectives, we must be mindful of the need to manage the risks which we will face in achieving them. We will continue to identify risks within each of our operating divisions and across the Authority and ensure that we have sound processes to manage and monitor those risks.

We will ensure that these risks are controlled and managed effectively at both the divisional level and by the Authority’s Board, primarily through the Risk and Control Committee.

Review of Performance

The Board of the Authority and the Executive team are fully committed to playing their part in achieving our strategic objectives over the next three years. As part of our culture of being an open and transparent regulator, we will assess our performance each year against our Strategic Plan and provide an update in our annual report.

We are confident that the challenges we have set ourselves in this Strategic Plan will be met and that our proactive approach over the next three years will play an important part in ensuring that the Isle of Man remains one of the world’s leading international financial centres.

Our Plan on a Page can be found in Appendix A.

PART 2: PRIORITIES IN SUPPORT OF OUR STRATEGIC OBJECTIVES

We have set out below in summary form the priorities that support our strategic objectives and long term goals, some of which span our organisation whilst others are divisional / sectoral in nature.

1. Enhance the framework to protect consumers and deter financial crime

What would success look like?

A strengthened supervisory framework which makes us more effective and efficient in protecting consumers and deterring financial crime; including greater transparency, both in terms of understanding our supervisory approach and in the marketing of financial products so that consumers understand what they are buying; ongoing compliance with international standards in a way which is proportionate and relevant.

For AML/CFT achieving a better understanding of the risks inherent in business models by the use of enhanced data requirements and the application of analytical tools to address risks before issues emerge.

Our planned priority initiatives for 2018/2019

- **Introduce improvements to the Retirement Benefits Schemes Act**

The Authority will continue work to introduce improvements to the legislation for retirement benefits schemes through the introduction of new conduct and regulatory requirements for pension schemes and pension providers. This project will continue beyond 2018/19.

- **Enhanced AML/CFT reporting requirements for industry**

The Authority will continue to work with industry to ensure that AML data asks are reasonable, proportionate and meet the needs of the Authority. Given the extent of this data ask we have built in sufficient lead in time to enable industry to fully comply with these requirements.

- **Update of AML/CFT Code**

The Authority will continue work in 2018/19 in conjunction with the Gambling Supervision Commission and the Department of Home Affairs to further update the AML/CFT Code. The updates will take account of any remaining outstanding requirements arising from MONEYVAL's recommendations following its visit in 2016, ensuring the Island is compliant with international standards in these areas.

- **Review of Life Insurance Compensation Scheme**

The life insurance compensation scheme will be reviewed to ensure that it aligns with the changes as a result of the Insurance Core Principles ("ICP") project and continues to provide suitable protection to consumers.



2. Enhance clarity around our regulatory, supervisory and enforcement processes

What would success look like?

Improved understanding, by affected stakeholders, of the Authority's expectations and requirements achieved through updated regulatory and supervisory frameworks supported by guidance and procedures which are easy to understand.

Regulated entities having a better understanding of the nature of our risk-based supervisory approach and how we will supervise them.

Our planned priority initiatives for 2018/2019

- **Banking Reform and Bank Recovery/Resolution - next phase**

This is a longer term project and we anticipate that efforts in 2018/19 will focus around developing the necessary legislative framework to support the resolution of a bank, and development of the appropriate governance mechanism for resolution. This work is being undertaken jointly between the Authority and Treasury. The Authority will also introduce a supervisory framework for bank recovery planning, alongside updating guidance for banks' capital planning (ICAAP). Work will also commence on moving our framework towards Basel III compliance including the development of liquidity standards which are proportional to the needs and nature of the business on the Isle of Man.
- **Update of the Supervisory Methodology**

The Authority recognises the importance of having one consistent framework to assess risks across the regulated entities. This project will focus on developing a common supervisory approach for the Authority which is consistent, proportional and transparent. This is a longer term project with implementation expected during the period covered by the Strategic Plan.
- **Credit Union secondary legislation**

In 2017 a Bill to modernise the oversight of Credit Unions passed through Tynwald. Further work is now required to introduce secondary legislation to operationally support the framework. Consultation will take place in 2018 and legislation will follow in 2019.
- **Implementation of core elements of ICP project**

The updated risk-based capital framework for long term insurance was implemented with effect from 30 June 2018. This will be followed by the implementation of the updated Corporate Governance Code of Practice for long term insurers and new conduct of business requirements for both long term and non-long term business which will come into effect in 2019.

3. Encourage innovation and continuous improvement in all that we do

What would success look like?

A consistent and efficient way to share information with the Authority, which benefits from the application of new technologies, eliminating duplication and aiding the processing and analysis of information.

An environment where there is a productive exchange of information and issues with the regulated sector, and those businesses subject to the Designated Business regime, which creates a deepened understanding of the Authority's expectations and of the business of the firms that we regulate and oversee.

Through the development of appropriate regulatory frameworks, enhancing the reputation of the Isle of Man as a jurisdiction of choice for reputable Fintech businesses.

Our planned priority initiatives for 2018/2019

- **Ongoing development of the new regulatory data system—CASCADE**

The ongoing work around the new data system will be a significant focus for the Authority for the strategic planning period. The Authority is working with the Gambling Supervision Commission to develop a new data system which, when completed, will provide secure portal access for regulated entities and make information more readily available to supervisory staff. Related priorities over fiscal year 2018/19 will be to ensure that staff are fully engaged through the development phase and that industry is kept apprised of future requirements. This is a long-term project which will be completed within the three year strategic planning period.

- **Continued Engagement**

Industry engagement will continue to be a high priority for the Authority; the industry survey, which has already taken place, will provide a useful benchmark for the Authority to gauge how effective it has been in this regard. We anticipate that there will be some follow-ups arising from the survey work and we will be working through 2018/19 to implement these actions.

Continue to build on our relationships with other regulators, global oversight bodies and standard setters to increase their understanding of our jurisdiction and allow us to make meaningful comparisons of approaches and standards. This work will also give us better information about changing international standards and norms and their application elsewhere, and allow us to evaluate the impact of these changes on the financial services sector in the Isle of Man.



4. Create an environment that enables staff to fulfil their potential

What would success look like?

A work environment that is responsive to the needs of staff to enable them to undertake their oversight of the regulated sector in the most efficient and effective way.

A place where people want to work and has high levels of staff engagement.

Our planned priority initiatives for 2018/2019

- **Development of structured training and development programme for staff**

The Authority has been successful in attracting and retaining talented and skilled resources. A strategic risk that we face, like many organisations, is the loss of talent. Key to retaining our resources is having a robust HR plan which includes, as its core elements, training and development plans which support staff through their career journey, succession plans to manage our retention risks and providing a stimulating and supportive work environment.

- **Continued enhancements suggested in the Employee Survey**

We envisage that there will be some initiatives related to the employee survey, which we conducted in late 2017, that will be carried forward throughout 2018/19, where their implementation may give rise to further activities to improve how we work as one organisation. We plan to run a mini-survey sometime in 2019 to measure the impact of our current action plans which would include measuring staff engagement levels.

- **Activities targeted at staff engagement in the systems development project**

The introduction of our new data system will fundamentally change how we receive and process information and will impact various work activities. This will represent a cultural shift for the organisation and staff engagement and participation in the development process will be critical to its success.

PART 3: HOW WE INTEND TO DELIVER THIS PLAN

The Culture: Our Core Purpose, Values and Operating Principles

Everything we do as a regulator will be guided by our core purpose and core values:

Our Core Purpose

In carrying out its statutory objectives the Isle of Man Financial Services Authority aims to uphold trust, confidence and integrity.

Our Core Values

Acting with Integrity

We will at all times conduct ourselves with the highest standards of personal and professional integrity. In all that we do we will act honestly, remaining fair and ethical even in the most difficult situation. We will maintain a professional, lawful and moral approach to all our actions irrespective of any challenges, criticisms or provocations that we may face.

Respecting Others

Respect is co-operating, valuing our work, recognising diversity and standing together as one team. By treating each other and all those we engage with as we would expect to be treated, we will build trust and create positive, collaborative relationships.

Achieving Excellence

Excellence is delivering the highest quality of work. This requires our persistent commitment to use our skills and resources to challenge ourselves and to raise standards.

Our Key Principles

We have identified several key principles which inform our work as a regulator and which will be of particular significance as we implement this Strategic Plan.

These are:

- 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;
- We welcome early dialogue with the industry so that we understand emerging risks and also new opportunities: this helps us consider the potential impact and how best to address change;
- Regulation and regulators are only effective if they are understood: our aim is not to overcomplicate matters;
- We intervene at an early justified stage in issues to help prevent unacceptable risks crystallising;
- We seek to understand, collaborate and follow a reasonable path of remediation to achieve the right outcomes. Enforcement is pursued where remediation is not possible or not appropriate; and
- Regulated entities are responsible for managing the risks within their business. Our job is to design and advance a regulatory framework that promotes effective controls, good risk management and suitable disclosure; this is how we contribute to the soundness of our industry.

ISLE OF MAN FINANCIAL SERVICES AUTHORITY: STRATEGIC PLAN 2018-2021

Our Core Purpose
Why are we doing it?
In carrying out its statutory objectives the Isle of Man Financial Services Authority aims to uphold trust, confidence and integrity.
Our Core Values
How will we create the future?
Acting with integrity Respecting others Achieving excellence

Our Key Principles
How will we engage?
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.
We welcome early dialogue with the industry so that we understand emerging risks and also new opportunities: this helps us consider the potential impact and how best to address change.
Regulation and regulators are only effective if they are understood : our aim is not to overcomplicate matters.
We intervene at an early justified stage in issues to help prevent unacceptable risks crystallising.
We seek to understand, collaborate and follow a reasonable path of remediation to achieve the right outcomes . Enforcement is pursued where remediation is not possible or not appropriate.
Regulated entities are responsible for managing the risks within their business. Our job is to design and advance a regulatory framework that promotes effective controls, good risk management and suitable disclosure : this is how we contribute to the soundness of our industry.

Our Strategic Objectives
What will we do?

Enhance the framework to protect consumers and deter financial crime
1.1 Introduce improvements to the Retirement Benefits Act
1.2 Enhanced AML/CFT reporting requirements for industry
1.3 Update AML/CFT Code
1.4 Review of Life Insurance Compensation Scheme

Enhance clarity around our regulatory, supervisory and enforcement processes
2.1 Banking Reform and Bank Recovery/Resolution - next phase
2.2 Update of the Supervisory Methodology
2.3 Credit Union secondary legislation
2.4 Implementation of core elements of ICP project

Encourage innovation and continuous improvement in all that we do
3.1 Ongoing development of new regulatory data system - CASCADE
3.2 Continued engagement

Create an environment that enables staff to fulfill their potential
4.1 Development of structured training and development programme for staff
4.2 Continued enhancements suggested in the employee survey
4.3 Activities targeted at staff engagement in the systems development project

Our Long Term Goals
How will we focus on the right things?

Continue to develop our identity and culture to operate as a forward looking integrated regulator.
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Continue to develop our framework to provide appropriate protection for the financial interests of consumers.

Continue to develop our framework to ensure consumers are appropriately informed of products, services and their risks.

Fully implement a risk-based supervisory approach for every entity within our remit, including vulnerability to financial crime.
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Be an International Financial Centre which is recognised as effectively deterring financial crime.
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Undertake research and development alongside our stakeholders to enable a dynamic appropriately regulated financial sector.

To remain operationally independent and free from interference in the performance of our statutory responsibilities and use of resources while remaining accountable to Treasury and Tynwald.
