



ISLE OF MAN
FINANCIAL SERVICES AUTHORITY

Lucht-Reill Shirveishyn Argidoil Ellan Vannin

ANNUAL REPORT 2018/19

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ARCHIBALD KNOX

Archibald Knox (1864 – 1933) was a Manx artist and designer famed for his distinct mix of Arts and Crafts, Celtic Revival, Art Nouveau and Modernism styles. As well as creating art that can be seen around the Island, Knox was Liberty of London's primary designer at the height of its success. His style has not only influenced the Island and local artists but has contributed to the art world on an international level. Knox was prolific and used a wide range of media to showcase his style including metal, stone, calligraphy, jewellery and watercolour.



Lillian Boyle (front row, second from left)

CHAIR'S STATEMENT

Over the past year the Authority has continued to build on the change processes that were initiated in 2015 incorporating new challenges and ways of working. Included in this was considerable emphasis on consumer protection, one of the cornerstones of our regulatory objectives, and one that is fundamental to sound and responsible financial regulation. Consumer protection takes many forms, ensuring that we promote and develop appropriate frameworks to facilitate strong processes to look after financial investments and engender a strong culture of compliance within our financial services community, for both international and local consumers.

Unquestionably the world is getting more complex and choices more plentiful for consumers. The means by which financial products and services are now delivered create both opportunities for consumers and the need to ensure appropriate safeguards against information asymmetries and poor market practices. At the Authority we believe that consumer welfare is at the core of responsible financial regulation and continues to underpin long term financial stability and sustainable growth and prosperity within the wider Isle of Man finance sector.

To this end, in early 2019 we achieved a significant milestone in the priority project to update our insurance regulatory framework with the introduction of the Conduct of Business Code for Life Insurers, the remaining phase of which came into effect on 1 July 2019. This achievement reflected not only the efforts of the Authority but strong collaboration with, and support by, industry. The Manx Insurance Association (MIA), in particular, helped us to ultimately design a framework that was both pragmatic and effective in achieving the appropriate level of protection for consumers and goes to the heart of treating customers fairly, thereby reinforcing the reputation of the Isle of Man as a place for people to invest with confidence.

The ongoing work around Domestic Systemically Important Banks and the Bank Recovery and Resolution Framework is all about providing the Authority with the appropriate powers and framework to engage in any resolution process, and to make sure we have an early seat at the table, again with the needs of depositors in mind. Indeed, many of the Authority's priority projects referred to in this report have at their core some element of consumer protection.

From a local perspective, in June 2018 we launched a "Pension Matters" campaign, the first of its kind for the Authority, to help Isle of Man consumers navigate more safely through the myriad of life choices and decisions around long term financial

wellness. With the support of the UK Personal Finance Society, the Authority launched this awareness campaign geared to consumers of all ages, tapping into social media, radio information sessions, life information sessions and even bus advertisements. This campaign had real local impact focusing on providing consumers with information around pension planning and challenged them to think into the future.

In her introduction, Karen, as CEO of the Authority, reiterates how important culture is in organisations and the impact of behaviour on all of the relationships we have within the financial services world. The impact of technological changes will introduce different ways in which financial products and services may be accessed, delivered and utilised. However, we need to remain focused on the fact that we are still in a service industry and the culture of our organisations and firms needs to give confidence to those with whom we do business.

As a regulator, the Authority needs to do all it can to ensure that it provides a regulatory environment that allows the safe delivery of products and services. In doing so, we need to also look to work in a more effective way through technology in both our supervisory and prudential roles.

Finally in this section, I would like to thank all the staff at the Authority, the previous Board Members of the Authority who stepped down last July and the continuing and new Members who joined over the year. With everyone's participation the Authority continues to evolve to be the appropriate regulator for a rapidly changing Isle of Man financial services sector.



CHIEF EXECUTIVE OFFICER'S STATEMENT

Karen Badgerow – Chief Executive

The annual report is a time to look back on the list of what we accomplished in the past year, reflect on areas where we hoped to achieve more and to get out the plan and start to sketch out what is next. You will find a bit of all of that in this year's annual report. The report is an important method by which the Authority keeps accountable to many of our stakeholders including the interested public. Some may venture deep into the pages of the report and may even get to the statistics at the end. For others it will be enough to peruse through the Chair's comments and mine. The Chair's comments focus on how our work is driven by consumer matters, a topic that finds its way into most of what we do. I thought I would use my short space to write about the importance of culture in financial services regulation and how it influences the actions and behaviours of a regulator.

As you will recall, in November 2018 the Authority issued its first strategic plan which set out the course for the next three years. Within the plan we talked about priority projects and what

we planned to deliver over the next three years. We overlaid some strategic objectives which spoke to the things that were important to us and are supportive of our statutory objectives, focusing on consumer protection, deterring financial crime and ensuring ongoing confidence in the financial sector through appropriate frameworks, all very important for well-functioning financial economies. We also spoke about the 'how', the behaviours that will underpin how we deliver on our objectives, seeking to understand, not over-complicating matters, following a reasonable path of remediation and welcoming early dialogue. In some cases, and not surprisingly, we have had challenge as to whether or not we are following our principles; I consider this "fair play" - and this is what accountability frameworks are all about. In some other cases the principles are cited by entities as a way to defend poor practices or to obfuscate and withhold information from the Authority - not such "fair play".

However, in the main these principles have been broadly accepted and have allowed us to look at a different way of doing our work and to challenge ourselves on how we deliver on our regulatory objectives. The one principle that I wanted to focus on in my comments is the last one, and which brings us back to the issue of culture.

"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".

Whether this can be truly achieved all comes to the culture within a regulated entity. Culture is not just about having the right frameworks, policies and processes in place, it is having the right behaviours and attitudes and it is about what we say and what we do. In more recent years regulators have turned their minds to understanding and assessing culture in firms, trying to understand the drivers of behaviour and to separate good culture from not so good culture. The not so good culture often results in poor consumer outcomes and often soured or strained relationships with the regulator. Thankfully these are few and far between, but where they do exist they have the effect of creating bottlenecks and funnelling resources into time consuming but necessary protracted communication, heavy remediation programmes or in some cases enforcement.

Culture is about creating the right accountability mechanisms within the organisation through good governance and controls and by having the right people employed in the right roles, being more consumer centric and reflecting this customer focus in systems, processes and product delivery. It is about being transparent and open with all stakeholders, including customers and regulators so that people feel comfortable raising their hand to say something is not right here and ultimately about doing the right thing. The Authority has been fortunate to enjoy largely positive engagements with entities it regulates or oversees. Regulated entities have been open to feedback from us and our sponsored sessions, be it Authority updates or

thematic sector specific feedback sessions, have been well attended and have generated good discussion and questions. The positive advancement we have made in a number of key initiatives, be that Anti-Money Laundering, Bank Recovery and Resolution or Insurance Core Principles projects, to name a few, can be traced back to early, and continuing engagement with our stakeholders and constructive feedback from them. The importance of the right culture extends to our supervision interaction where, with the right attitude and approach from both parties, practical solutions can be found and implemented. However there are times when culture goes bad in organisations and we find that having exhausted reasonable efforts to accommodate and encourage remediation our efforts must turn to enforcement. Mindful of our regulatory objectives to protect consumers and reduce financial crime we are compelled to act.

Through the last few years, when challenged by external parties, such as international standard setters and parliamentary scrutineers, on the robustness and safety of our financial sector we have been able to pull together to demonstrate and showcase the strengths of our financial system and safeguard its reputation, not only by saying the right thing but by demonstrating that we do the right thing.

Culture shouldn't vary with economic circumstances, it should be able to be relied upon to see an organisation through good times and bad. Over 10 years have passed since the last financial crisis and unfortunately history in financial systems tends to repeat itself, albeit in a different form. Furthermore we are entering very uncertain times which will undoubtedly create both challenges and opportunities for the financial sector. The need to stay true to a good culture will never be more important for us all.

THE YEAR AT A GLANCE

ENHANCE CLARITY AROUND OUR REGULATORY, SUPERVISORY AND ENFORCEMENT PROCESSES

- Launch of our Strategic Plan 2018–21 (see Appendix I for progress against the plan).
- Development of a new transparent enforcement decision-making process and settlement procedure which will be published and presented to industry in Q3 2019.
- Implementation of key elements of the ICP project for life insurers, including the risk-based capital regime, enhanced conduct of business requirements and enhanced governance requirements.
- Implementation of enhanced conduct requirements for non-life insurers and enhanced governance requirements for commercial non-life insurers.
- Continued outreach to the non-life insurance industry with a further Quantitative Impact Study to better understand the impact of the proposed new capital requirements under the ICP project and further discussions on the definition of captive insurance.
- Implementation of a new process for the assessment of the fitness and propriety of certain individuals and controllers of regulated entities to harmonise procedures across the Authority and realise greater efficiencies and effectiveness.
- Introduction of recovery planning obligations for locally incorporated banks, in preparation for the introduction of new legislation dealing with bank recovery and resolution matters.
- Royal Assent for the Credit Unions (Amendment) Act 2019.
- Ongoing robust supervisory programme with on-site inspections complemented by annual business meetings, thematic reviews and attendance at supervisory colleges.
- Continued progression of appropriate and proportionate enforcement action.

ENHANCE THE FRAMEWORK TO PROTECT CONSUMERS AND DETER FINANCIAL CRIME

- Amendments to the AML/CFT Code in order to address certain issues identified by MONEYVAL and the FATF Joint Group in their Post Observation Period Report.
- A comprehensive review of the Island's AML/CFT framework including a public consultation on the proposed new framework.
- Commencement of work on the reform of the regulatory framework for private pensions and their providers.

ENCOURAGE INNOVATION AND CONTINUOUS IMPROVEMENT IN ALL THAT WE DO

- Commencement of implementation of a new IT system, ATLAS/CASCADE.
- Publication of a Code of Conduct for Members of the Authority and publication of details of relevant Members' interests.
- Participation in discussions on the introduction of substance requirements to address the Island's commitment to the EU Code of Conduct Group.
- Preparation of legislative amendments arising from the UK's decision to leave the EU to ensure as far as possible certainty and the continuity of the status quo after 'exit day'.
- Ongoing engagement with our international colleagues by both responding to, and making, requests for information under MOUs and MMOUs.
- Membership of the Global Financial Innovation Network, a network of organisations committed to supporting financial innovation in the interests of consumers.
- Consumer outreach to increase public knowledge of the importance of financial planning through the 'Pension Matters' campaign and participation in the IOSCO World Investor Week initiative.
- Ongoing support of the work of other Isle of Man Government Departments through working partnerships including with Treasury, the DfE and the DHA, and continued exchange of information through existing gateways.

CREATE AN ENVIRONMENT THAT ENABLES STAFF TO FULFIL THEIR POTENTIAL

- Implementation of actions following the staff satisfaction survey.
- Self-awareness training across the Authority to improve performance and make the most of working relationships.
- Continued embedding of our Core Values including a "Living the Values" team building event arranged around that theme.

THE ISLE OF MAN FINANCIAL SERVICES AUTHORITY

The Authority is an independent statutory board, established on 1 November 2015 by article 4 of the Transfer of Functions (Isle of Man Financial Services Authority) Order 2015.

This annual report addresses the requirement, under paragraph 7 of Schedule 1 to the FSA08, for the Authority to report to Treasury annually on its proceedings and activities for the previous year, and to submit accounts audited under the provisions of the Audit Act 2006. The annual report covers the period 1 April 2018 to 31 March 2019 and will be laid before Tynwald.

REGULATORY OBJECTIVES

The Authority is required, by section 2 of the FSA08, to exercise its functions (set out in Appendix A) in a way that is compatible with, and appropriate for, the purpose of meeting its regulatory objectives. The regulatory objectives are:

- 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.

Additionally, the Authority is guided by specified matters (under paragraph 3 of Schedule 1 to the FSA08) to which it must have regard when discharging its functions. These matters are:

- the need to balance the regulatory objectives;
- the need for the regulatory, supervisory and registration regimes to be effective, responsive to commercial developments and proportionate to the benefits which are expected to result from the imposition of any regulatory burden;
- the need to use resources in an efficient and economic way;
- the desirability of implementing and applying recognised international standards;
- the desirability of co-operating with governments, regulators and others outside the Island;
- the need to safeguard the reputation of the Island;
- the need to promote public understanding of the financial services, insurance and pensions industries;
- the responsibilities of those who manage the affairs of permitted persons, insurers and retirement benefits schemes;
- the international character of financial services, insurance and pensions industries and their markets and the desirability of maintaining the competitive position of the Island;
- the desirability of facilitating the development of the financial services, insurance and pensions industries; and
- the impact of its decision on the stability of the financial system of the Island.

ORGANISATION OF THE AUTHORITY

The Authority operates under the Statutory Boards Act 1987 and its constitution and functions are set out in the FSA08.

Schedule 1 to the FSA08 specifies that Board Members of the Authority are appointed by the Treasury, subject to the approval of Tynwald. The minimum number of Members is seven, including a Chair, Deputy-chair and the Authority’s CEO. The current membership of the Authority’s Board is set out in Appendix B.

Board Members are appointed for fixed terms of not less than two years and not more than five years.

THE FUNCTION AND OPERATION OF THE AUTHORITY

The primary function of the Authority is the regulation and supervision of the Island’s financial services sector, which comprises banking, insurance, investment businesses, collective investment and retirement benefit schemes, trust and corporate services, crowdfunding platforms and money transmission services. The Authority also has an oversight and enforcement function in relation to Designated Businesses’ adherence to the AML/CFT Code, as well as certain functions connected to such areas as beneficial ownership, audit, and company officer disqualification.

Appendix A provides further information on the Authority’s functions.

The Authority operates via seven internal divisions, Banking, Funds and Investment Services, Insurance, Pensions and Fiduciary Services, Enforcement, Policy and Authorisations, Operations, General Counsel and Business Change. Further information regarding the work of the divisions can be found later in this report.

Appendix C provides further information on the Authority’s internal structure.

GOVERNANCE AND BOARD COMMITTEE STRUCTURE

BOARD AND COMMITTEE MEETINGS

The Authority’s affairs are overseen by its Board, which consists of a chair, the CEO and six other private sector Members.

The Board of the Authority holds scheduled meetings approximately every six weeks. Additional ad hoc meetings of a quorum of the Board (comprising a minimum of three Members) are held when necessary to consider applications for authorisation.

The following meetings were held between 1 April 2018 and 31 March 2019:

Meetings of the Authority	10
Authorisations Meetings	5

There are two standing committees of the Board, the Risk and Control Committee¹ and the Human Resources and Compensation Committee².

The following meetings of these committees were held between 1 April 2018 and 31 March 2019:

Meetings of the Risk and Control Committee	4
Meetings of the Human Resources and Compensation Committee	3

More information on the corporate governance arrangements of the Authority can be found at Appendix B.

¹Membership until 30/6/18 was Lillian Boyle, Roger Butler, Juan Clarke and Paul Wright; Lillian Boyle and Roger Butler were replaced by Leam Thompson and Mark Waterhouse for the remainder of the year.
²Membership until 30/6/18 was Alan Smith, David Stacey and Mark Waterhouse; from 1/7/18 membership changed to Juan Clarke, Jane McAndry, David Stacey and Mark Waterhouse.

STAKEHOLDER ENGAGEMENT

Stakeholder engagement continues to be critical for understanding the environment in which we regulate.

INDUSTRY UPDATE

An industry update was held in November 2018 at which presentations were given on the Authority's strategic plan; the results of the Industry Survey; key findings from the Authority's ongoing work; and recent and future regulatory developments, including the revised supervisory approach and the Authority's new data management system.

Dr Lindsay Jefferies, Managing Director of Island Global Research, attended as a guest speaker,

having assisted the Authority with the Industry Survey, and industry representatives joined Authority representatives in a panel debate. Throughout the event participants were able to pose questions electronically which were addressed during relevant sessions.

The format of the event was well received by participants and a total of 490 delegates attended.

The industry survey, a first for the Authority, provided us with important industry insight on the effectiveness of our supervision, how we consult and how the industry sees risks.

TRADE ASSOCIATIONS AND PROFESSIONAL BODIES

The Authority continued to hold regular meetings with trade associations across the regulated sectors and with working groups of those associations where there were specific regulatory matters to be addressed. The Authority also participated in seminars organised by professional bodies.

GOVERNMENT AGENCIES

Periodic meetings were held with other Isle of Man Government agencies covering areas of common interest. These agencies included the Office of Fair Trading / the Financial Services Ombudsman, the DfE and its Digital and Finance Agencies, Treasury, and the FIU.

An example of ongoing engagement across Government in which the Authority participated is the new Blockchain Office established by the Digital Agency of the DfE. Its primary function is to facilitate dialogue between businesses and regulators on the Island, including the Authority, and to help businesses that are blockchain based to design their business models in accordance with relevant legislation and any applicable regulation. Staff of the Authority have been involved in the establishment of the Digital Agency and are available to provide direction to the Blockchain Office on relevant financial services regulation.

CONSUMER AWARENESS

The Authority launched a consumer initiative: 'Pension Matters' in April 2018, working closely with the Personal Finance Society and its members, in order to raise public awareness and knowledge in respect of the need for retirement planning.

Further consumer engagement work was undertaken during October in support of the IOSCO World Investor Week in collaboration with the Personal Finance Society and London Institute of Banking and Finance and their members. As part of this initiative, the Authority hosted a Family Finance day that included pro-bono individual finance sessions with a number of our local financial advisors, Discover Fortunes, a game to get our youth thinking about their financial futures, and a series of information sessions with speakers from both on and off the Island, focused on such topics as cyber-crime, investment scams and what to watch for when thinking about Initial Coin

Offerings. This was very well-received by the local community.

Continuing our focus on local consumers, for the past three years the Authority, working with the London Institute of Banking and Finance, has continued to support the level 3 Certificate in Financial Studies programme at one of the Island's high schools to aid in educating students on the working of the finance sector while at the same time giving them practical life skills. We understand that interest in hosting this programme is now spreading to other schools and we are delighted in the continuing commitment being shown by the community in advancing financial awareness in the next generation.

The Authority's contribution to consumer education was recognised at the Chartered Insurance Institute Building Public Trust Awards 2019, where Claire Whitelegg, a member of the Authority's staff, received the 'Building Public Trust – Consumer Marketing and Awareness' award.

INTERNATIONAL

The Authority continued to engage with other regulatory bodies through attendance at regulatory colleges and bilateral meetings relating to specific regulated entities or financial services activities. Meetings with regulators of the other Crown Dependencies were also held to discuss areas of common interest, for example, AML/CFT matters.

The Authority attended meetings with international standard setters, the IAIS, IOSCO, GIICS, GIFCS and the Enlarged Contact Group of Supervisors of Collective Investment Schemes. In addition, it contributed an assessor to the first mutual evaluation (of Jersey) against the standard on the regulation of Trust and Corporate Services Providers, issued by GIFCS; and the Head of the Insurance, Pensions and Fiduciary Services Division is also now a member of the IAIS Standards Assessment Working Group which is responsible for overseeing the assessment of implementation of the IAIS' supervisory material. The Authority has also joined the International Forum of Insurance Guarantee Schemes.

The Authority participated in meetings between the Isle of Man Government and the European Parliament's Special Committee on Tax Crimes, Tax Evasion and Tax Avoidance (TAX3).

OTHER INITIATIVES

A wide range of other engagement initiatives took place over the period including the following:

- A seminar for non-executive directors of non-life insurers on enhancements to the regulatory framework for insurance business.
- A number of meetings between the Authority's AML Unit and industry representatives from July to December 2018, prior to the issue of a public consultation on the proposed AML/CFT Code 2019. These were followed by industry drop-in sessions during the consultation period to discuss and address any comments or queries.
- Staff from the Authority provided a presentation on the results of the thematic inspection conducted on non-monetary client assets which was organised by the Association of Corporate Service Providers.

CONSULTATION

The Authority issued 11 consultations over the period of this report.

Consultations can be found on the Authority's own website as well as on the Isle of Man Government's Consultation Hub. Consultations covered a wide range of areas including proposals for the new regulatory regime for Credit Unions, the expansion of class 6 regulated activity (crowdfunding platforms) to include limited secondary trading facilities, the introduction of civil penalties for contraventions of the BOA17, further consultations relating to the project to update the regulatory regime for insurance business, and proposed amendments to the Island's AML/CFT Framework (a joint project between the Authority, the DHA and Treasury). Consultation, including industry trials, was also completed during the period on the new process for undertaking the assessment of individuals' fitness and propriety.

REGULATION AND SUPERVISION

AUTHORISATIONS

Applications under the FSA08 are dealt with by the Authorisations team, which is part of the Policy and Authorisations Division, while applications under the IA08 and RBSA00 continue to be dealt with by supervisory staff. All fitness and propriety assessments are, however, dealt with by the Authorisations team.

As part of its authorisation process the Authority seeks to ensure that those entering the financial sector meet the required minimum standards expected of an Isle of Man regulated entity to protect the reputation of the Island as a reputable and responsible financial centre. The process seeks to strike a balance between prudence and compliance on the one hand and the encouragement and support of innovation on the other.

In the journey to harmonise our internal processes in mid-2018 the Authority introduced new fitness and propriety standards.

The new process for assessing the fitness and propriety of certain individuals was successfully implemented on 1 August 2018. Over the period of this report over 300 'notified and accepted' applications were considered. Many of these resulted from changes within regulated entities as well as from new business applications.

The Authorisations team continued to answer enquiries and consider applications for licensing under the FSA08, offering support and guidance to businesses where appropriate. Enquiries ranged from tentative initial queries to formal applications for licensing. The range of potential activities has included alternative banking operations, providers of investment advice, trust and corporate service provider businesses, and payment service providers.

SUPERVISION

SUPERVISORY APPROACH

The Authority's supervision is risk-based, pro-active and event driven. Knowledge and understanding of a regulated entity, its activities and the principal risks to which it is exposed, develop on an ongoing basis through a combination of desk-based analysis and review, meetings and discussions with the management of the entity, on-site inspections and thematic reviews. On-site inspections and thematic work are undertaken based on perceived areas of risk at a sector or entity level, but also take into account the size and impact of entities.

The Authority recognises the importance of having one consistent framework to assess risks and the following six key risk categories are considered across all sectors:

- Strategy and business model
- Prudential (including solvency and liquidity as well as the safety of client money and assets)
- Governance and management (including ownership)
- Operational
- Conduct
- AML/CFT

The Authority receives information about each regulated entity from a variety of sources, including annual, quarterly and ad hoc regulatory submissions. These submissions contain detailed information in respect of the financial position, compliance and governance of each regulated entity along with other sector specific matters. More recently the requirements for reporting of AML/CFT data have also been enhanced.

Supervision is undertaken through two divisions of the Authority: the Banking, Funds & Investments Division, and the Insurance, Pensions & Fiduciary Services Division.

Within those divisions each of the following industry sectors has a dedicated supervisory team:

- Banking and Money Transmission (deposit takers, credit unions, bureaux de change, payment services, cheque cashing and issue of electronic money)
- Investment Services (financial advisers, investment and asset managers, stockbrokers, custody (non-fund), investment platforms and crowdfunding platforms)
- Fund Services (fund administrators and managers, fund custodians, and collective investment schemes)
- Life Insurance
- Non-life Insurance (including non-life insurers, insurance managers and general insurance intermediaries)
- Pensions (including retirement benefits schemes and professional administrators)
- Fiduciary Services (trust and corporate service providers)

Further information on each sector is provided below.

In 2018/19 the Authority initiated an assessment and review of its supervisory methodology and approach. This work is ongoing and is intended to result in a consistent, proportionate and transparent framework covering all sectors supervised by the Authority.

Regulatory permissions

Details of licences issued under the FSA08, authorisations, registrations and permits granted under the IA08, and registrations granted under the RBSA00 can be found in Appendix D.

As at 31 March 2019, the total number of licences issued under section 7 of the FSA08 was 197; the total number of authorisations and registrations granted under the IA08 was 175; and the total number of registrations of administrators under the RBSA00 was 48.

Regulatory actions

Details of remedial and other regulatory actions taken under the FSA08, the CISA08, the IA08 and the RBSA00 during the period can also be found in Appendix D.

BANKING AND MONEY TRANSMISSION SERVICES

Over the period of this report two new deposit taking licences were issued, one class 1(1), and one class 1(3).

Two licenceholders surrendered their deposit taking licences and one Money Transmission Services licenceholder ceased an element of its regulated activity. Both deposit taking surrenders were as a result of UK Banking Structural Reform. One of the banks that surrendered its licence was issued with a new class 1(1) deposit taking licence (referenced above), and the transfer of business between the two entities was completed via a Court Transfer Scheme.

Another banking group announced plans to re-organise its business in the Isle of Man and the Authority provided its 'no objections' to the proposed transfer in March 2019. The transfer of business is subject to a Court Transfer Scheme.

In addition to ongoing desk-based supervisory work, the team undertook a series of regular business meetings, which included an annual meeting with all banks, and quarterly meetings with banking groups that have been classified as systemically important to the Isle of Man. These annual and quarterly meetings covered a range of topics including the Authority's key risk categories referenced earlier.

There have been further enhancements to the statistical reporting that is available to banks and the general public, which includes a new quarterly statistical lending bulletin.

The requirement for all banks to report financial flows data on a quarterly basis was introduced in 2017, with the first returns being received in December 2017. Banks have embedded and improved their reporting during the period and the team analyses the data and trends and shares the data with the FIU. AML/CFT data supplied by Money Transmission Services licenceholders is also analysed and relevant information shared with the FIU.

A new return to aid the understanding of AML/CFT risks was fully embedded during the year giving the Authority a better view on trends in the sector.

Discussions have been ongoing with a number of parties interested in obtaining a Money Transmission Services licence, with the primary focus being on the provision and execution of payment services and the issue of electronic money.

The Authority, as Scheme Manager of the Isle of Man Depositors' Compensation Scheme ('DCS') in relation to Kaupthing Singer & Friedlander ('KSF'), and in conjunction with the administrator of the DCS (KPMG), published an update and guidance for claimants in preparation for a final dividend distribution to be made by the liquidator of KSF.

The team also continued to work on several other initiatives, which included:

Basel III – Capital

Updated Internal Capital Adequacy Assessment Process (ICAAP) guidance was issued in June 2018 for banks incorporated in the Isle of Man, to support the Basel III new capital requirements that came into effect in July 2017.

Bank Recovery and Resolution

The Isle of Man Government is currently considering how best to implement an appropriate Bank Recovery and Resolution regime. This work is being undertaken by the Treasury, in close collaboration with the Authority, and involves stakeholder input from locally licensed banks and their professional advisers during the policy development phase.

As part of the Isle of Man's phased introduction of a Bank Recovery and Resolution framework, the Authority introduced a requirement for locally incorporated banks to prepare recovery plans aimed at assisting the bank to recover from situations of severe financial stress. The first recovery plans are due to be submitted by October 2019.

It is expected that a Bank Recovery and Resolution Bill will be brought forward for consideration by Tynwald to provide a legal basis for any new Bank Recovery and Resolution framework.

A framework for Domestic Systemically Important Banks in the Isle of Man

Following the first assessment undertaken early in 2018, all banks were informed whether they had been classified as a Domestically Important Bank in the Isle of Man ('DSIB') and their home regulators were informed. Four banks were identified as

DSIBs. There is an enhanced level of engagement between the Authority and DSIBs, which includes quarterly meetings and enhanced reporting requirements. Going forward the assessment will be undertaken on at least an annual basis.

UK Banking Structural Reform and its impact in the Isle of Man

Liaison continued with relevant banking groups, the UK Prudential Regulation Authority, and other regulatory authorities on the detailed implications for the Isle of Man operations of the major UK retail banks that are subject to the UK's 'ring-fencing' regime. That regime came into full effect from 1 January 2019 and all affected banking groups licensed in the Isle of Man were compliant with the requirements of the UK legislation prior to the effective date.

The Isle of Man's Alternative Banking Regime

In August 2016 the regulated activity of deposit taking was split into 3 sub-classes: class 1(1), class 1(2) and class 1(3). All but one bank currently has a class 1(1) licence.

Class 1(2) banks are only able to undertake business with certain depositors ('restricted depositors') which are bodies corporate and individuals subject to stringent minimum net worth criteria. Class 1(2) banks are also not members of the DCS. The ownership structure permitted for these banks is slightly wider than for class 1(1).

Class 1(3) banks are representative offices of overseas banks.

During the period, discussions continued with a number of parties interested in applying for class 1(2) or class 1(3) licences, using the published guidance to assist with the process. One class 1(2) application was received in the period, and a new class 1(3) licence was issued.

INVESTMENT SERVICES (FINANCIAL ADVISERS, ASSET MANAGERS AND STOCKBROKERS)

Over the period of this report, the team undertook a series of annual business meetings with financial advisers, investment managers, stockbrokers, and investment platforms in addition to ongoing desk-based supervisory work.

A number of on-site inspections were also carried out, some of which focused on the specific areas of AML/CFT compliance, suitability of advice and disclosure and pension transfers, whilst others were of a general supervisory nature.

The Authority issued a questionnaire to financial advisers to obtain information about market practices in relation to pensions and pension transfers. This information will feed into updated guidance and requirements for pension advice.

The team also dealt with a number of business acquisitions and transfers during the period, and the trend for an increase in enquiries relating to greater use of technology by regulated entities continued.

A regulatory forum for IOMWFA was established. It is intended that this forum will be used to promote dialogue on regulatory and industry facing matters.

FUNDS SERVICES (FUND MANAGERS, FUND ADMINISTRATORS & FUND CUSTODIANS)

Over the period of this report, the team undertook a series of annual business meetings with fund managers and administrators, with a specific focus on the services they provide in addition to ongoing desk-based supervisory work.

Thematic reviews in the Funds sector highlighted some key findings to be shared with industry and identified areas for further focus.

The team also undertook a number of on-site inspections of fund managers and fund administrators (one of which was a fiduciary licenceholder with permissions to provide services to exempt schemes and one was a remediation inspection). These inspections focused on the different fund types, the services provided to those funds by the managers and administrators, including how they operated the fund and complied with the duties imposed on them by relevant legislation.

This work has highlighted some key findings that will be summarised and presented at an industry briefing to the IOMWFSA over the summer of 2019.

The team also managed a number of ongoing remediation cases. This included the appointment of an independent party to carry out a review and provide the Authority with a report. A follow-up remediation inspection was also arranged with the licenceholder that covered continuing areas of concern that had not been addressed by the report or desk-based work.

INSURANCE

In addition to ongoing desk-based supervisory work, the team had annual business meetings with all authorised life insurers. The annual business meetings covered a range of topics including the Authority's key risk categories referenced earlier.

The team also carried out a small number of targeted on-site inspections and a thematic review across authorised life insurers regarding the treatment of 'gone away' customers (where insurers are unable to contact the customer regarding their insurance policy or its benefits) and 'orphaned' customers (where there is an active insurance policy which no longer has an independent financial advisor associated with it).

As many of the larger insurers in the Island belong to wider insurance or financial services groups, the Authority continued to engage in discussions with other regulators to facilitate understanding of how these entities fit within the wider group and the risks and dependencies posed by the wider group.

The ICP Project achieved some key milestones in the past year, with a focus on fair treatment of customers and better measurement of risk.

Most components of the updated framework for life insurance business were implemented during the year under review. The new capital framework, which is significantly more risk-based, came into force on 30 June 2018. The updated corporate governance (including enhanced enterprise risk management requirements and the formalisation of an Own Risk and Solvency Assessment) and conduct of business requirements came into force on 1 January 2019.

PENSIONS

Over the period of this report, the team commenced a new programme of annual business meetings with professional administrators. These meetings covered a range of topics including the Authority's key risk categories referenced earlier.

A new AML/CFT thematic review questionnaire was also issued, with the majority of the responses received prior to the end of the reporting period. The team is in the process of assessing the responses received. The team also undertook one on-site inspection of a professional pension administrator.

The number of new pension schemes continued to grow to its highest ever level, leading to an increase in the level of enquiries and related review work.

There was one consultation during the period which sought feedback on proposals to alter existing pensions' legislation, with a broadly supportive response received from industry and other interested parties. The work to update the current framework was subsequently commenced and further updates will be issued in the forthcoming period.

FIDUCIARY SERVICES

Over the period of this report, the team undertook a series of annual business meetings with corporate and trust service providers. These meetings targeted higher impact firms. Whilst the focus of the on-site inspection programme in the previous year had been thematic, the focus for the year under review was on full supervisory inspections of a smaller number of corporate and trust service providers.

There continued to be a significant number of changes of controller within the sector, many of which were not driven by consolidation but reflected new ownership arrangements, including the continued involvement of private equity.

Consolidation within the sector appears to have slowed down. Although there were a number of licence surrenders, the underlying books of business remained on the Island and new classes 4 and 5 licences were granted.

Feedback was provided to industry during the year via the ACSP and as part of a seminar on the thematic review on non-monetary assets that had been undertaken in the previous reporting period. This will be followed by a formal feedback document presenting the key findings which will be published on the Authority's website.

In connection with GIFCS the Authority participated in two regulatory colleges for international fiduciary groups.

CO-OPERATION AND CO-ORDINATION

SUPERVISORY

The Authority continues to participate in many forums and is an active contributor to focused committees. These relationships have been key in understanding emerging issues and how others are meeting the challenge of rising industry standards.

Given the international focus of the Island's regulated businesses and the significant proportion of those businesses that are members of multi-national groups, the safe and effective sharing and communication of relevant information and intelligence between interested supervisory authorities and enforcement agencies remain an integral part of effective supervision.

The Authority is committed both to establishing new relationships and to developing further its existing relationships with other agencies. This includes proactively seeking information from, and providing assistance to, supervisory authorities in other jurisdictions to facilitate cross-border and cross-sectoral supervision of individual legal entities and their groups.

The Authority also believes that responsible and appropriate international co-operation can be an effective and powerful tool in assisting supervisory authorities and law enforcement agencies in the prevention of abuse of global financial systems by those who wish to launder money, finance terrorist activities or proliferate weapons of mass destruction, particularly given the international focus of the Island's regulated businesses, together with the significant proportion that are members of groups established or operating elsewhere.

Regarding the exchange of information, the Authority has a statutory duty of confidentiality in respect of information collected in the performance of its statutory functions. Such information is classified as restricted information and may only be disclosed to third parties with the consent of the person from whom the information was received or, if different, the person to whom it relates, subject to the statutory 'gateways' set out in the various statutes under which the Authority operates. These permit the Authority to disclose relevant restricted information, subject to certain safeguards, to regulators and other specified persons.

Memoranda of Understanding (MOUs)

The powers that enable the Authority to co-operate with other organisations, both domestically and internationally, are supported by a number of bilateral MOUs.

MOUs assist the two-way flow of information between supervisory authorities and other organisations. They provide a framework which sets out the basis on which the Authority can be confident that the information it exchanges will be treated as confidential, together with the circumstances in which that information may be shared further if it is appropriate to do so.

Multi-lateral Memoranda of Understanding (MMOUs)

The Authority is a signatory to both the IAIS MMOU and the IOSCO MMOU. It is also a signatory to the GIFCS MMOU, many of whose members are also signatories to the IAIS and IOSCO MMOUs.

Co-operation in Domestic Supervision

In developing further its legislative framework in respect of AML/CFT, the Authority liaises on matters of common interest with the DHA, the FIU and Customs and Excise. The Authority is also represented on the AML/CFT Advisory Group, which provides a forum for discussions between Government, regulators and industry.

Where the Authority has concerns about money laundering, terrorist financing or breaches of targeted financial sanctions, these are referred to the FIU for dissemination to the relevant authorities.

The Authority's responsibilities in relation to the supervision of regulated entities also mean that it is important for it to maintain a dialogue on relevant matters with the Treasury's Income Tax and Social Security Divisions and the Office of Fair Trading. Legislation also permits the Authority to share information with the Financial Services Ombudsman Scheme and the Isle of Man Pensions Ombudsman where appropriate.

Consolidated / Group Supervision

Many entities regulated by the Authority are subsidiaries of entities regulated in other jurisdictions, and a small number have branch operations in other jurisdictions.

In order to understand fully the nature, scale and complexity of such entities, their activities and the risks to which they may be exposed, it is necessary to understand the intra-group relationships and dependencies that may exist. To facilitate this understanding, the Authority is a member of, and participates in, a number of supervisory colleges in respect of groups of which Isle of Man regulated entities are members (most notably for banking and insurance and more recently TCSPs), and liaises with supervisors elsewhere about matters of common interest including systemic risk, group-wide solvency and group crisis management plans.

The further development of an appropriate framework for insurance group supervision is an important aspect of the Authority's work to implement its updated regulatory regime for insurance business.

ASSISTANCE WITH INVESTIGATIONS AND INSIDER DEALING

The Island has in place important provisions that enable it to co-operate in cross-border enquiries and investigations. Whilst mutual legal assistance in criminal matters is the preserve of the Island's Attorney General's Chambers, the Authority is able to use its powers of inspection and investigation in regulatory investigations in order to obtain local information to assist overseas regulators who are signatories to the IOSCO MMOU or the IAIS MMOU. During the period of this report, nine requests were received from four different jurisdictions and the Authority was able to assist with all requests.

On occasion, the Authority becomes aware of instances where overseas persons falsely claim to have a presence on the Island in order to mislead the public. Such claims are investigated by enforcement staff to determine whether any criminal or regulatory proceedings may be warranted. Where the overseas person has no genuine Isle of Man connection, the Authority's powers to prevent the claims are limited but it does have power under the FSA08 and the IA08 to issue a public warning and publish relevant information in order to protect the public. During the year, a total of four such cases were investigated, all of which resulted in the issue of public warnings on the Authority's website.

Although the Island does not have a stock exchange, there may be occasions when a person or business on the Island is suspected of involvement in insider dealing or may hold information relevant to an investigation into insider dealing which is suspected to have taken place on an exchange elsewhere. The Insider Dealing Act 1998 gives the Authority powers to appoint inspectors to investigate such cases. On two occasions during the reporting period, members of the staff of the Authority were appointed as inspectors to assist with investigations being carried out in overseas jurisdictions.

PREVENTION OF MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM MONEYVAL

Much has been achieved in the fight against money laundering in this past year. Working with industry and our partners in Government, the Authority has successfully stewarded some critical changes to the AML/CFT Code.

The Island became a participant in the Council of Europe's MONEYVAL in December 2012, and was evaluated by MONEYVAL in 2016. The evaluation was under MONEYVAL's 5th round evaluation process and was conducted against the FATF 2012 recommendations using the 2013 methodology.

Following the 2016 evaluation, despite securing good technical ratings, the Island was placed in enhanced follow-up by MONEYVAL due to its performance in certain areas of effectiveness. Consequently the Island is currently required to report back to MONEYVAL on progress on an annual basis. The Isle of Man submitted its first Enhanced Follow Up Report for the Plenary meeting in July 2018, at which time the Plenary agreed to upgrade technical ratings in a further eight Recommendations. This gives the Island one of the strongest technical AML/CFT regimes of any country assessed so far under the new FATF standards. The Island has also continued to work on addressing actions recommended by MONEYVAL to improve effectiveness, investing significant new resources in financial intelligence and law enforcement activities in particular.

A number of amendments were also made to the AML/CFT Code 2015 which came into force in September 2018 to address other areas which were identified as priorities. The work undertaken by the Island to secure improvements has been positively recognised by the FATF. Work is continuing to address remaining outstanding matters identified by MONEYVAL; the majority of these will be dealt with in legislation coming forward in 2019, including amendments to the revised AML/CFT Code.

Other areas being addressed are:

- updating the AML/CFT Framework applicable to insurers
- producing one comprehensive general AML/CFT guidance document for all sectors with sector-specific guidance for each sector
- introducing a civil penalty regime for non-compliance with the AML/CFT Code to complement the current criminal sanctions available.

It is intended that the legislation to implement the above proposals will be brought into force in June/July 2019. This includes a new AML/CFT Code (AML/CFT Code 2019³), amendments to POCA08⁴, DBROA15⁵, TOCFR⁶, new civil penalty regulations⁷ and a new SNPO Code⁸.

The second Enhanced Follow Up report is due to be provided to MONEYVAL in Q2 2019 for discussion at the plenary in July 2019 where progress made by the Isle of Man will be discussed and applications for further upgrades decided⁹.

Guidance

Guidance in respect of AML/CFT is published in the form of the AML/CFT Handbook which is a 'living' document subject to regular revision and updating.

Updates were made to the AML/CFT Handbook in May and July 2018 mainly in respect of the FATF country lists.

Substantial amendments were made to the AML/CFT Handbook in November 2018 to reflect the legislative changes implemented in 2018 in respect of introduced and 'acting on behalf of' business.

Further guidance will be issued later in 2019 to cover the provisions of the AML/CFT Code 2019, both in terms of core guidance and sector specific guidance.

DESIGNATED BUSINESSES

The DBROA15 came into force on 26 October 2015. This gave the Authority responsibility for the oversight of adherence by designated businesses to the Island's AML/CFT regime.

Designated businesses are registered and overseen by the Authority for AML/CFT purposes only. They continue to be overseen by the relevant industry bodies (e.g. The Isle of Man Law Society) in respect of their wider business, competence, or other matters.

All designated businesses are subject to a periodic inspection by the Authority, or a body to whom the Authority has delegated necessary powers, to test compliance with AML/CFT legislation. At present the Authority has delegated its oversight powers to the following professional bodies: Institute of Chartered Accountants of England and Wales; Association of Chartered Certified Accountants; Isle of Man Law Society; Institute of Certified Bookkeepers; Institute of Financial Accountants; and International Association of Bookkeepers. These professional bodies are responsible for the AML/CFT oversight process and report the findings of their inspections to the Authority. The Authority conducts quality assurance reviews of the work carried out by the professional bodies and retains registration and enforcement powers.

³Issued in June 2019.

⁴Approved by Tynwald in May & June 2019.

⁵Approved by Tynwald in June 2019.

⁶Approved by Tynwald in June 2019.

⁷Approved by Tynwald in June 2019.

⁸Issued in June 2019.

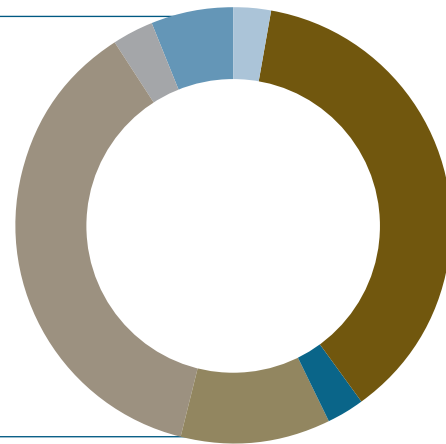
⁹The report was discussed at the Plenary; the outcome will be published in due course.

Registrations

Since April 2018 there have been 35 new registrations and 34 de-registrations in respect of the following types of business.

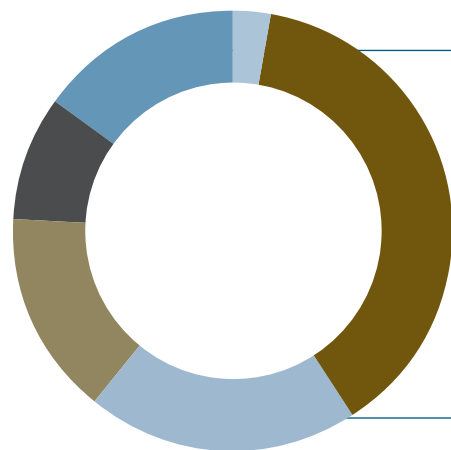
Registrations:

- 13 accounting firms (37%)
- 13 convertible virtual currency providers (37%)
- 1 estate agent (3%)
- 1 law firm (3%)
- 4 money lenders (11%)
- 2 payroll agents (6%)
- 1 safe custody (3%)



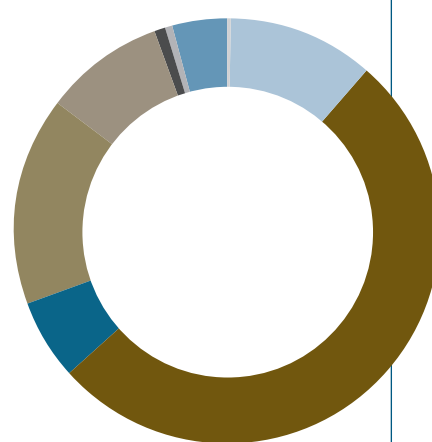
De-registrations:

- 13 accounting firms (38%)
- 5 convertible virtual currency providers (15%)
- 1 law firm (3%)
- 7 money lenders (20%)
- 5 payroll agents (15%)
- 3 specified non-profit organisations (9%)



There are currently a total of 331 designated businesses registered with the Authority in respect of the following business types:

- 173 accounting firms (52%)
- 29 convertible virtual currency providers (9%)
- 21 estate agents (6%)
- 2 high value goods dealers (0.5%)
- 35 law firms (11%)
- 54 money lenders (16%)
- 12 payroll agents (4%)
- 2 safe custody firms (0.5%)
- 3 specified non-profit organisations (1%)



(Entities may undertake more than one category of designated business.)

The DBROA15 states that the Authority must refuse to register a designated business if it is not satisfied that the applicant, or a specified person in relation to the applicant, is a fit and proper person. During the period the Authority has not refused to register any applicants. The DBROA15 also states that the Authority may revoke a registration under certain circumstances; during the period the Authority has revoked one registration.

Civil Penalties

During the period of this report the Authority issued 64 civil penalties to 55 designated businesses, 27 of which were for failure to submit annual returns and 37 of which were for failure to pay the annual fee. In addition, two penalties were issued for contravention of section 7 of the DBROA15 (prohibition on carrying on designated business if not registered) and four penalties were issued for failure to pay the annual fee from the previous oversight year.

Oversight and Outreach

During the last twelve months the AML Unit has conducted outreach and education sessions with current and potential designated businesses, as well as professional advisors to the sectors affected by the legislation.

BENEFICIAL OWNERSHIP ACT 2017 – OVERSIGHT

The BOA17, most of which came into effect on 1 June 2017, gave the Authority responsibility for issuing guidance in relation to certain terms used in the BOA17 and also for oversight of compliance with the obligations and requirements of that Act.

The day-to-day exercise of the Authority's responsibilities under the BOA17 rests within the Enforcement Division.

Guidance in respect of certain terms used in the BOA17 was published on 1 June 2017, and a programme of review and inspection was initiated in order to assess compliance with the statutory obligations and requirements of nominated officers and companies.

During the year under review the Authority has conducted a significant number of BOA17 compliance inspections. During the course of these, advice and recommendations have been provided in respect of the obligations and requirements set out in that Act. No material breaches of obligations or requirements have been identified to date and no nominated officers or companies were reported for breaches of requirements under that Act.

ENFORCEMENT

REGULATORY ENFORCEMENT ACTION

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.

The Authority is committed to ensuring that its investigations are both timely and likely to act as a deterrent to others. The number of investigations currently being carried out exceeds that in previous years and the complexity of certain investigations has meant that some span the periods of more than one annual report. A number of ongoing matters remain *sub-judice*.

Throughout the year there has been an ongoing project to address unlicensed regulated activity resulting in the cessation of the unlicensed business or its transfer to an appropriately licensed entity.

Alongside its investigation work, the Division has contributed to the development of the Authority's new enforcement decision-making processes and settlement procedure (see Appendix I).

COMPANY LAW MEASURES

The Authority has sole power under the Island's companies' legislation to make application to the High Court for the winding-up of companies in the public interest. No such application has been made in this period.

However, in the absence of an Official Receiver for the Isle of Man, and in common with any other applicant for compulsory winding up by the Isle of Man High Court, the Authority is sometimes required, as a practical measure, to provide financial support to insolvency practitioners appointed previously on the application of the Authority. The Authority has provided financial support in respect of five such previous applications, pending the insolvency practitioners reaching a position where funds were available to permit payment from liquidation assets.

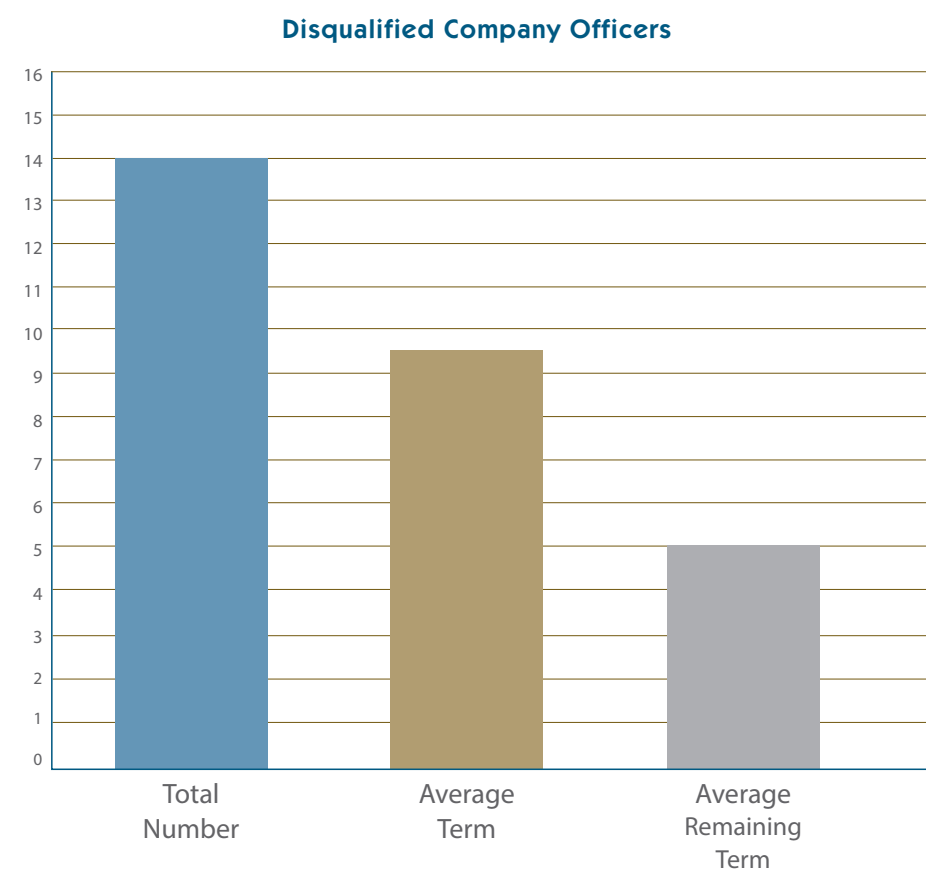
The winding up of 12 further companies previously ordered to be wound up on the application of the Authority has continued without the need for funding by the Authority.

The Authority also has power under CODA09 to make application to the High Court for disqualification of company officers whose conduct renders them unfit to act in that capacity.

During the last year two people have been disqualified from acting as company officers. One of those disqualifications was imposed by way of a successful application to the High Court and the other followed a Statutory Undertaking offered by the defendant and accepted by the Authority. Statutory Undertakings have exactly the same effect as Court disqualification orders, however, where unfitness is admitted and a Statutory Undertaking offered and accepted, it saves Court time and costs. The Authority currently has ongoing proceedings under CODA09 against a number of individuals.

The current list of disqualified directors can be viewed on the Authority's website.

The current total of disqualifications in force as at 4/4/2019 is 14 with the average term being nine years and six months and the average remaining term being five years as shown in the following graph.



WHISTLEBLOWING

There were seven whistleblowing incidents during the period. Though relatively low in number, such cases play an important role in assisting us to identify serious misconduct and breaches. We are cognisant of the need to protect whistleblowers and where this results in subsequent mistreatment of those persons, we will consider this as a relevant factor in respect of the fitness and propriety of those responsible.

POLICY DEVELOPMENT

The Policy and Authorisations Division is primarily responsible for the maintenance of the Authority’s legislative framework, which requires continual monitoring and regular updating to address matters such as changes in the ‘boundaries’ of the regulatory perimeter, or to remain in compliance with international standards.

REGULATORY DEVELOPMENTS

A number of items of secondary legislation were made or amended over the period (see Appendix F), including 2018 fees legislation, legislation to facilitate the introduction of credit union operation as a regulated activity under the FSA08, AML/CFT legislation and legislation to bring into effect the updated regulatory framework for life insurance.

Further details on the most important policy developments in this period follow.

CHANGES TO FITNESS AND PROPRIETY ASSESSMENTS FOR ALL REGULATED ENTITIES

Active consultation with industry occurred over the past year with a series of wide-ranging policy papers, culminating in changes in secondary legislation.

As discussed under “Authorisations”, the Authority completed the review of its process to assess the fitness and propriety of certain individuals and controllers of its regulated entities, and introduced a new process with effect from August 2018.

CREDIT UNIONS

Over this period the Credit Unions (Amendment) Bill received Royal Assent and came into effect in April 2019 alongside the necessary secondary legislation which has brought the new regulatory regime into operation.

RETIREMENT BENEFITS SCHEMES - REGULATORY REFORM

The Authority intends to revise the Island’s regulatory framework for private pensions and their providers in order to increase consumer protection, continue to meet international standards and safeguard the Island’s reputation. The changes will enhance the conduct and prudential regulatory requirements applicable to pension providers. It will also add to the enforcement powers applicable to the pensions sector to put them on a par with the enforcement powers applicable to other financial services sectors regulated by the Authority.

A discussion paper was issued in March 2018, responses to which have been analysed and responded to over this period. Work has commenced on the next stages of this project, including being granted a legislative slot for the amending primary legislation.

CONSIDERATION OF THE INTRODUCTION OF A LIMITED SECONDARY MARKET FOR CROWDFUNDED EQUITIES

Consultation took place between August and October 2018 to obtain views on the possible expansion of class 6 regulated activity (crowdfunding platforms) that could permit a limited ability for investment-based crowdfunding platforms to facilitate secondary trading of investments if those investments were originally crowdfunded using the same platform. The Authority’s response to the consultation feedback was issued in January 2019 and the necessary legislation was approved at the May sitting of Tynwald.

INSURANCE SUPERVISORY FRAMEWORK

The Island’s regulatory framework for insurance supervision is set out in the IA08.

In 2012 the ICP project was launched, the objective of which is to update the Island’s regulatory framework for insurance business in a way that is both appropriate and proportionate to the Island’s insurance sector and consistent with relevant international standards. This is for the purpose of maintaining the Island’s reputation as a well-regulated and responsible international financial centre.

Implementation of the updated framework is by a combination of changes to the enabling powers in the IA08 and by the implementation of new and amended secondary legislation.

The key areas of change are as follows:

- the development of a more sophisticated risk-based capital and solvency regime
- the introduction of a group supervision framework
- enhanced conduct of business requirements
- enhanced governance and enterprise risk management requirements
- enhanced requirements in respect of general insurance intermediation
- the introduction of public disclosure requirements where appropriate
- enhanced regulatory reporting.

Most components of the updated framework for life insurance business were implemented during the year of this report, the new capital framework coming into force on 30 June 2018 and enhanced corporate governance and enterprise risk management and conduct of business requirements following on 1 January 2019. Consultations on group supervision¹⁰ and public disclosure requirements were also carried out.

In respect of non-life business, the Authority continued to consult with that sector on updated capital and corporate governance requirements.

In respect of general insurance intermediaries the Authority completed its consultation on general, conduct of business and governance requirements.

The Authority’s formal report on the project is contained in the ‘Roadmap for updating the Isle of Man’s regulatory framework for insurance business’ which has been published on a regular basis since 2013, the latest update having been issued at the end of January 2019¹¹. As well as providing information about the project, the Roadmap reviews progress over the previous period and looks forward to developments over the forthcoming year.

CONSULTATION

Appendix G lists the consultative documents issued over the period of this report. Responses from interested parties to consultations are invaluable, and the Authority appreciates the input of all respondents.

LEGISLATION AND GUIDANCE

The Authority’s main regulatory primary legislation comprises the Financial Services Act 2008, the Insurance Act 2008, the Collective Investment Schemes Act 2008 and the Retirement Benefits Schemes Act 2000. Beneath this primary legislation is secondary legislation which contains the Authority’s detailed requirements. The legislation that has come into effect over the period of this report can be found in Appendix F.

The Authority may issue and publish guidance as it considers appropriate. It issues guidance for various purposes including to illustrate best practice, to assist relevant persons in complying with legislation and to provide examples or illustrations. Guidance is not mandatory, however it is persuasive. Where a person follows guidance, this would tend to indicate compliance with the legislative provisions, and vice versa.

All guidance can be found on the Authority’s website.

OTHER ACTIVITIES

The Authority is also involved in a number of other areas such as dealing with applications from auditors to be listed on the Register of Recognised Auditors and handling requests from overseas auditors to audit Isle of Man companies under section 14E of the Companies Act 1982.

¹⁰Group supervision framework implemented for life insurance from 1 July 2019.

¹¹A further version was issued on 31 July 2019.

BUSINESS CHANGE

DEVELOPMENT OF ATLAS AND CASCADE

Our new data management system will facilitate the validation, storage and analysis of information submitted leading to more effective supervision.

Following the completion of the procurement process in June 2018, work commenced in July 2018 on the development of ATLAS, the Authority's new IT system, and CASCADE, the Authority's portal. It is anticipated that the system will be delivered in a number of phases starting in 2019/20.

A key benefit arising from CASCADE will be that all entities overseen by the Authority will be able to submit information electronically. The system is intended to facilitate the validation, storage and analysis of information submitted, so leading to more effective supervision and bringing some efficiencies to regulated entities in their reporting process.

INDUSTRY SURVEY

In January 2018 the Authority engaged Island Global Research, an independent market research and consultancy company, to undertake an industry perceptions study of the work of the Authority. The study provided an opportunity for all regulated entities and Designated Businesses to opine on the performance of the Authority. The aim of the survey was to inform the Authority and to assist it to improve and develop its relationship with the firms it regulates, supervises and oversees.

This study consisted of two elements. Phase 1 involved an independent online survey distributed to all firms which sought feedback on the topics set out below.

- Overall impression of the Authority: its role, effectiveness and impact.
- Approach to Supervision and Oversight: including supervision, on-site inspections, fitness and propriety assessments, authorisation, registration and enforcement.
- Engagement with the Authority: engagement with the staff of the Authority, guidance, consultation, events, publications, website and statistical information, and general feedback.

In Phase 2, Island Global Research was asked by the Authority to explore in more depth certain topics arising from Phase 1, including those areas which had elicited more negative views. The additional detail was obtained by interviewing senior management from a sample of the Phase 1 respondents.

The overall results of the survey were generally positive, with the majority of firms agreeing that the Authority was effective in achieving its regulatory objectives. The survey also gave the Authority insight into areas where industry felt there was room for improvement and an action plan seeking to address these matters was prepared.

The results and action plan were presented to industry at the Authority's Industry Update held on 20 November 2018 and subsequently published on the Authority's website. An update of progress against the action plan is detailed in Appendix H.

OPERATIONS

FINANCE

The Authority is part of the centralised Isle of Man Government accounting system, and its income and expenditure, although reported and audited separately, are part of the Government's general revenue account.

The expenditure of the Authority is managed against an annual budget agreed with Treasury, with any shortfall in the Authority's income, relative to its expenditure, being covered by a Treasury grant.

The Authority manages its expenditure closely to ensure that it receives value for money and, as far as possible, that it remains within the Treasury approved budget. The Authority complies with the Isle of Man Government Financial Regulations.

The statement of Income and Expenditure of the Authority and its associated Report of the Auditors are set out in Appendix E. The Authority is audited in accordance with the Audit Act 2006.

Income from registration and licence fees was a little above the budgeted figure for the year. As noted in the 'Looking Forward' section of the report, the Authority is undertaking a comprehensive review of the methods and criteria for the calculation and charging of regulatory fees.

Expenditure for the year was broadly in line with or under budget for all areas with the exception of professional fees. Professional fees are incurred in connection with the engagement of professional services companies to provide additional short-term capacity for one-off tasks or to secure specialist skills to supplement the routine services delivered by the Authority's staff. A continuing, relatively high caseload of supervisory and enforcement matters, requiring the support of independent legal resources, has contributed to the overrun in professional fees for the year. Where possible the Authority relies on the services of the Attorney General's Chambers for legal guidance and advice. Independent legal services are only engaged with agreement by the Attorney General's Chambers and appointees are drawn from the Isle of Man Government's central procurement

list. The appointment of a General Counsel has assisted the Authority in identifying opportunities to increase self-sufficiency in relation to legal services.

HUMAN RESOURCES

The Authority has a permanent staff establishment of 67.5 (full time equivalent) compared to 66 for the previous year.

During the year staff turnover was approximately 10% compared to 8% the previous year.

A number of temporary staff have been engaged over the period to work on key projects, including bank recovery and resolution and the enhancement of the Authority's supervisory methodology, with the support of Treasury. The contracts for the majority of these will continue into 2019/20. The Authority has also recruited a senior advocate as its General Counsel and Head of Corporate Governance; this is a new role for the Authority funded from its existing budget. The role has proved beneficial in enhancing the Authority's oversight activities and its corporate governance processes.

The Authority has always actively supported staff development and is part way through a comprehensive review of its learning and development strategy aimed at ensuring that it offers appropriate development opportunities to its staff, to ensure that they have the skills necessary to enable the Authority to efficiently meet its statutory objectives. This work will continue throughout the forthcoming year and will cover all aspects of development. During the year, training undertaken by staff has included the Institute of Leadership and Management courses supported by the Isle of Man Government's Learning, Education and Development team, study for professional qualifications and focused training by external providers in specialist areas relevant to the functions of supervisory oversight. Where possible the Authority joins with other agencies across Government to engage appropriate external training resources and to share the cost.

COMPLAINTS AGAINST THE AUTHORITY

The Authority's website sets out the procedure for dealing with complaints made against the Authority. The procedure provides for consideration and response by the CEO. If complainants consider that their complaints have not been fully addressed, they may seek a further review by the Authority's Board.

One complaint was made against the Authority during the year, which was not upheld. No requests for reviews of complaints were received during the year.

INFORMATION TECHNOLOGY

The Authority's systems development work during the year has been concentrated on the ATLAS/CASCADE project. However, the Authority has also replaced aged and obsolete desktop hardware for staff and upgraded its presentation and video conferencing facilities. The Authority remains alive to the continuing threat of cyber-attacks and continues to work with other relevant agencies within the Government

and provides regular training to staff to suitably mitigate the evolving risks. Following the review by expert consultants during 2017-18, the Authority implemented a number of improvements to address potential data security vulnerabilities; the Authority continues to apply controls commensurate with the risks it faces.

ENTERPRISE RISK MANAGEMENT

The Authority's enterprise risk management framework considers the risks to the regulatory objectives as well as to the Authority's long-term goals and strategic aims. Risks are grouped into three overarching areas: internal risks to the Authority, supervisory risks arising from entities regulated by the Authority and external risks arising from the environment, some of which may be horizon risks. Risks are assessed and reviewed against the Authority's risk tolerance which informs consideration of the appropriate controls to mitigate those risks.

Key risks and horizon risks are reported to and discussed at each meeting of the Risk and Control Committee and are reported to the Board on a periodic basis.

The Authority's focus on developing a more enhanced enterprise risk management system has advanced our understanding of the key risks facing the Authority.

CORPORATE SOCIAL RESPONSIBILITY

Proud of our work to support community initiatives, the Authority embarked on a number of fun and sometimes challenging fund raising activities and formed its first environmental committee.

CHARITY WORK

Every year the Authority chooses a particular local charity to support. For 2018 this was "Naseem's Manx Brain Tumour Charity" for which £3,900 was raised throughout the year. The chosen charity for 2019 is "Bridge the Gap" which is focused on improving facilities and support for teenagers and young adults with long term health needs. Funds are raised through a range of voluntary staff activities; in addition, staff contribute in other ways such as periodically collecting for the Isle of Man food banks.

THE ENVIRONMENT

Through our Employee Representative Group, we have set up an Environmental Team with the

objective of raising awareness of environmental matters across the staff of the Authority, and making changes internally (and at home) that will benefit the Island.

Activities during the year have included:

- setting up a recycling facility in the office, with a team of volunteers taking the items on a weekly basis to their local recycling points
- regular gardening and tidying sessions within the Authority's grounds
- replacement of plastic water cups with glasses
- evening visits for interested parties to the Energy from Waste Plant and Douglas Borough Council's recycling facility
- screening of "Plastic Oceans"

We also ran a campaign throughout June to encourage staff to do something for wildlife. Staff activities included nature planting in gardens, bird feeding, litter collection from beaches, and rescuing local wildlife.

PERFORMANCE AGAINST STRATEGIC PLAN

Along with identifying its key strategic projects, the plan also included the Authority's key principles which govern how we do our work and interact with our stakeholders.

When the Authority launched its Strategic Plan in November 2018, it committed to assessing its performance each year and providing an update in the annual report. Although a year has not yet passed, we are pleased to provide an interim update on performance against the plan for the period between November 2018 and April 2019 which can be found in Appendix I.

During the reporting period the Authority enhanced its project management methodology, including more rigorous reporting to its internal project oversight body. These improvements have strengthened the reporting and tracking of project deliverables.

LOOKING FORWARD

THE FOLLOWING SECTION PROVIDES DETAILS OF SOME ONGOING INITIATIVES TAKING PLACE OVER THE PERIOD OF THE NEXT REPORT:

ENHANCE THE FRAMEWORK TO PROTECT CONSUMERS AND DETER FINANCIAL CRIME

- Comprehensive update to AML/CFT guidance, involving a rewrite of the AML/CFT Handbook to take account of the amendments to the legislative framework. This will include revised guidance for each sector.
- Issue of guidance on the new civil penalty framework.
- Utilise the most recent AML/CFT data reporting, including data on payment flows (money in and out of the Isle of Man banking sector), as part of assessing banks' and money service providers' inherent AML/CFT threats and risks, with a view to undertaking thematic inspection work.
- Continuation of work to update the Retirement Benefits Schemes framework, engaging with all relevant stakeholders at appropriate intervals.
- Review of the first set of recovery plans submitted by banks incorporated in the Isle of Man (due from October 2019).

ENHANCE CLARITY AROUND OUR REGULATORY, SUPERVISORY AND ENFORCEMENT PROCESSES

- Introduction of a quarterly reporting mechanism focused on obtaining a better understanding of banks' appetite and strategy across a range of products and services for local residents and businesses - for banks that are considered to be systemically important to the Island's economy.
- Work with banks and other regulatory authorities in relation to certain banking group reorganisations, including Court approved transfer schemes.

- Embedding the supervision of credit unions into the Authority's regulatory programme following the implementation of the new regulatory framework effective from 1 April 2019.
- Review of current reporting requirements for money transmission services and the making of any necessary changes in consultation with those businesses.
- Commencement of work on proposals for revised liquidity standards and reporting (Basel III) as well as consideration of other changes to the risk weighted assets framework for capital adequacy, published by the Basel Committee on Banking Supervision in December 2017.
- Continue to use supervisory work to understand in more depth the extent of the use of technology and third parties (outsourcing) for investment and asset management business, and the risks this may pose.
- Review of the internal framework for risk assessing certain funds types (including gathering additional information) and the impact those funds may have in relation to the risk profile of licenceholders who provide services to them.
- A focused review of the exempt scheme regime and the supervisory and legislative framework around exempt schemes.
- Continuation of comprehensive review of the methods and criteria for the calculation and charging of regulatory fees, with the intent of applying an appropriate, consistent and fair methodology across all the Authority's regulated entities.

- Continued engagement with relevant stakeholders as part of the work to update the regulatory framework for insurance business including:
 - implementation of a group supervision framework for life insurers
 - further consideration of public disclosure requirements for all insurers
 - finalising the updated capital framework and governance requirements for non-life insurers, including captives
 - agreeing a definition of a captive insurer and the implications of this for the application of the updated framework
 - implementation of enhanced requirements for general insurance intermediaries.

ENCOURAGE INNOVATION AND CONTINUOUS IMPROVEMENT IN ALL WE DO

- Continue the development of a crisis management framework which will include consideration of the Depositors' Compensation Scheme, the Policyholders' Compensation Scheme in respect of life insurance and the Authorised Collective Investment Schemes' Compensation Scheme. As part of this framework, Bank Recovery and Resolution will continue to be progressed which will entail the Authority taking on the new role of Resolution Authority.
- Continuation of consumer awareness initiatives, including full participation in the IOSCO World Investor Week 2019, improving pensions' sales guidance for financial advisers and improving guidance for investment managers in relation to suitability and record keeping.

- Continued collaboration with the IOMWFSA through the Fund Forum.
- Implementation of the back-office system ATLAS and the portal CASCADE over a number of phased delivery cycles in the forthcoming period and beyond. The autumn of 2019 will see the delivery and implementation of core back office functionality whereupon our attention will turn to building out initial portal functionality, in the course of which we will engage with industry and other stakeholders.

CREATE AN ENVIRONMENT THAT ENABLES STAFF TO FULFIL THEIR POTENTIAL

- Follow-up staff survey to assess the effectiveness of measures taken to address issues arising out of staff satisfaction survey undertaken in the previous reporting period.
- Continued work to embed our Core Values.
- Integration of "behaviour competencies" into performance management.

ISLE OF MAN FINANCIAL SERVICES AUTHORITY’S FUNCTIONS

The functions of the Authority are set out in paragraph 2 of Schedule 1 to the Financial Services Act 2008 and are as follows:

- the regulation and supervision of persons undertaking regulated activities
- the regulation and supervision of persons undertaking regulated insurance activities or regulated pensions activities
- the maintenance and development of the regulatory regime for regulated insurance activities and regulated pensions activities
- the maintenance and development of the regulatory regime for regulated activities
- the conduct of investigations into any potential liability arising from breach of AML/CFT legislation by persons undertaking regulated activities
- the oversight of directors and persons responsible for the management, administration or affairs of commercial entities
- participation in consultative bodies, working groups and other arrangements
- the functions conferred on it under the Financial Services Act 2008
- the regulation and supervision of collective investment schemes within the meaning of the Collective Investment Schemes Act 2008
- the regulation and supervision of retirement benefits schemes within the meaning of the Retirement Benefits Schemes Act 2000
- the functions conferred on it under the Acts specified below, and
- the functions conferred on it under any other statutory provision

The Acts under which functions are specified are:

- the Industrial and Building Societies Act 1892
- the Companies Act 1931
- the Income Tax Act 1970
- the Companies Act 1974
- the Companies Act 1982
- the Building Societies Act 1986
- the Insurance Act 2008
- the Retirement Benefits Schemes Act 2000
- the Life Assurance (Insurable Interests) Act 2004
- the Collective Investment Schemes Act 2008
- the Credit Unions Act 1993
- the International Business Act 1994
- the Limited Liability Companies Act 1996
- the Companies (Transfer of Domicile) Act 1998
- the Insider Dealing Act 1998
- the Online Gambling Regulation Act 2001
- the Companies Act 2006
- the Company Officers (Disqualification) Act 2009
- the Terrorism and Other Crime (Financial Restrictions) Act 2014
- the Incorporated Cell Companies Act 2010
- the Foundations Act 2011
- the Payment Services Act 2015
- the Designated Businesses (Registration and Oversight) Act 2015
- the Beneficial Ownership Act 2017

MEMBERSHIP OF THE FINANCIAL SERVICES AUTHORITY

Lillian Boyle (Chair)

Lillian became Chair of the Financial Services Authority in July 2018, having been appointed to the Authority on 1 November 2015. She is a lawyer, a Chartered Fellow of both the Chartered Institute for Securities & Investment and the Chartered Insurance Institute, as well as being a Trust & Estate Practitioner and a Fellow of the Institute of Directors.

She has extensive experience in the wider financial services sector having been Managing Director and Chairman of Isle of Man based International Life Companies and has also held non-executive roles in the investment and fiduciary sectors on the Island as well as in UK life assurance. She was previously a member of the UK Financial Reporting Council's Conduct Committee and has been Chairman of several UK based Audit & Risk Committees as well as local professional and educational bodies.

She is a former UK President of the Chartered Insurance Institute and is now a member of their Professional Standards Committee. Lillian is also a Trustee Director of a UK benevolent fund where she chairs the Nominations Committee and is currently Chair of the IOM Research Ethics Committee.



Juan Clarke (Deputy Chair)

Juan joined the Board in March 2016 and was appointed as Deputy Chair in July 2018. Prior to this he was Managing Director of the Clerical Medical International (CMI) Group of Companies, part of the Lloyds Banking Group comprising trust, fund management and venture capital investment companies and Scottish Widows offshore insurance arm, CMI Insurance Company Limited. He has over 35 years' experience in financial services since starting his career with Barclaytrust in 1982 and at CMI held a number of senior roles specialising in insurance, investments and fund management. Juan currently holds non-executive director positions in the Isle of Man and Luxembourg and is a Chartered Fellow of the Chartered Institute for Securities & Investment and holds Chartered Wealth Manager status with the Institute.



Karen Badgerow

Karen was appointed to the position of Chief Executive in November 2015. Prior to this she served over 30 years with the Canadian government in senior roles in financial services regulation. Most recently she was Senior Vice-President with the Canada Deposit Insurance Corporation heading up their Insurance and Risk Assessment Division. Before joining CDIC, Karen spent over 25 years' with the federal banking and insurance regulator, the Office of the Superintendent of Financial Institutions, and was responsible in her last position for oversight of the federal banking sector. She also represented Canada on a number of international committees including the Senior Supervisors Group and the FSB's Supervisory Intensity and Effectiveness Committee. Karen holds a Bachelor's degree and a Master's degree in Public Administration from Carleton University in Ottawa, Canada.



Jane McAndry

Jane was appointed in July 2018. She is a Scottish solicitor and was a lecturer in law before moving to the Isle of Man in 1987. Following a number of years in legal practice, specialising in company and commercial law, she moved in-house as a director of a substantial Isle of Man Corporate and Trust Service Provider before joining the then Financial Supervision Commission in 2000 as Head of Companies, where she was responsible for the licensing of CSPs and later TSPs, and then Head of the Policy and Legal Unit. After seven years with the FSC, Jane moved to asset management group, Charlemagne Capital (now Fiera Capital) where she held a number of roles, including director and company secretary of AIM quoted Charlemagne Capital Limited and managing director of the group's Isle of Man operations, a role she retired from at the end of 2018. Jane was closely involved in the establishment of the Association of Corporate Service Providers and is a Member of the Institute of Directors and the Institute of Management. She was also a Governor of King William's College and The Buchan School for a number of years and is the author of a book on Isle of Man Company Law.



David Stacey

David was appointed to the Insurance and Pensions Authority in April 2012 and the Authority in 2015. Prior to his retirement in 2009 he was Managing Director of Tower Insurance Company Limited and had previously spent his career in various senior management roles within RSA Insurance Group, Tower's parent.

David is a Fellow of the Chartered Insurance Institute and a Chartered Insurer, and holds the Institute of Directors' Diploma in Company Direction. He is a non-executive director of a number of companies and a board member of several local charities.



Leam Thompson

Leam was called to the Bar of England and Wales in 1997. Since 1999, Leam has worked for the United Nations Office on Drugs and Crime, a number of UK Government regulatory and enforcement authorities, global accounting networks and various foreign governments on recovering the Proceeds of Crime.

Leam's working life began with secondments from Chambers to the Securities and Futures Authority (forerunner to the UK's Financial Conduct Authority), before moving on to the Central Confiscation Branch of the Criminal Prosecution Service, the Asset Recovery Unit of HM Revenue and Customs, wider public and private sector engagements in Europe and Eastern and Southern Africa, culminating in her current role on the Department for International Development and EU funded Strengthening Uganda's Anti-Corruption and Accountability Regime ("SUGAR") Technical Advisory Facility, where she is leading the asset recovery intervention.



Mark Waterhouse

Mark was appointed in November 2015. He has held a number of key positions in banking including Managing Director of Halifax International (Isle of Man) Limited, Managing Director of Halifax International Limited in Jersey and CEO of Zurich Bank International Limited. He currently holds Non Executive Director positions in an iGaming company and in ZBI Limited, which was formerly Zurich Bank International Limited.



Since moving to the Isle of Man in 1997 Mark has been an active member of the Isle of Man Bankers Association, where he held the position of President on two separate occasions. He is currently President of the Isle of Man Centre of the London Institute of Banking & Finance (formerly the Chartered Institute of Banking) and is a Fellow of the Institute of Directors and serves on the Committee of its local branch in the Isle of Man.

Paul Wright

Paul was appointed to the Financial Supervision Commission in May 2012 and the Authority in 2015. He spent most of his career with the Bank of England where, among other roles, he had supervisory responsibility for global institutions. He was alternate Executive Director at the IMF in the early 1990s. He worked in the UK FSA for ten years where he oversaw supervision of the major overseas institutions in the UK and subsequently had responsibility for global and EU strategy. Until 2012 he was Senior Director at the Institute of International Finance in Washington DC. Paul was the CSFI/Swiss Re fellow in global insurance issues and currently advises a number of supervisory bodies on supervisory practice internationally.



Tom Maher - General Counsel and Head of Corporate Governance

Tom joined the Financial Services Authority in July 2018 in the newly created role of General Counsel and Head of Corporate Governance. Prior to this, Tom was managing partner of a law firm in the Isle of Man where he had a varied practice involving regulatory and commercial matters. In private practice Tom was a regular speaker at leading industry conferences in Europe and the US in relation to cross border investigations. Tom is not a Member of the Board but as general counsel, he is the lead legal advisor to the Board and Executive of the Authority. Tom acts as Secretary to the Board of the Authority and also oversees corporate governance within the organisation. He is a senior Isle of Man advocate and is also admitted as a solicitor in England and Wales, and Ireland.



CORPORATE GOVERNANCE

The Authority’s CEO is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and for developing and operating internal controls to ensure that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.

In discharging these responsibilities and reporting to the Board, the CEO and Executive of the Authority are required to put in place adequate arrangements for the governance of the Authority’s affairs and the stewardship of resources at its disposal. This is also embraced within the Isle of Man Government’s Corporate Governance Principles and Code of Conduct. That code requires there to be in place a framework governing activity and ensuring that:

- decisions are taken properly
- channels of communication are open
- performance is monitored
- standards are upheld.

The Authority is required to submit an annual ‘Statement on Internal Control’ to Government which covers implementation of the above arrangements.

The control environment within which the Authority operates includes:

- adherence to the Government’s Financial Regulations
- arrangements for functions and responsibilities delegated by the Board to individual officers via job descriptions and monitored by a regular review process
- a register of interests of Members and all other staff
- a staff handbook (including codes of conduct, etc.), and
- an internal reporting mechanism through the senior management team to the CEO and to the Board.

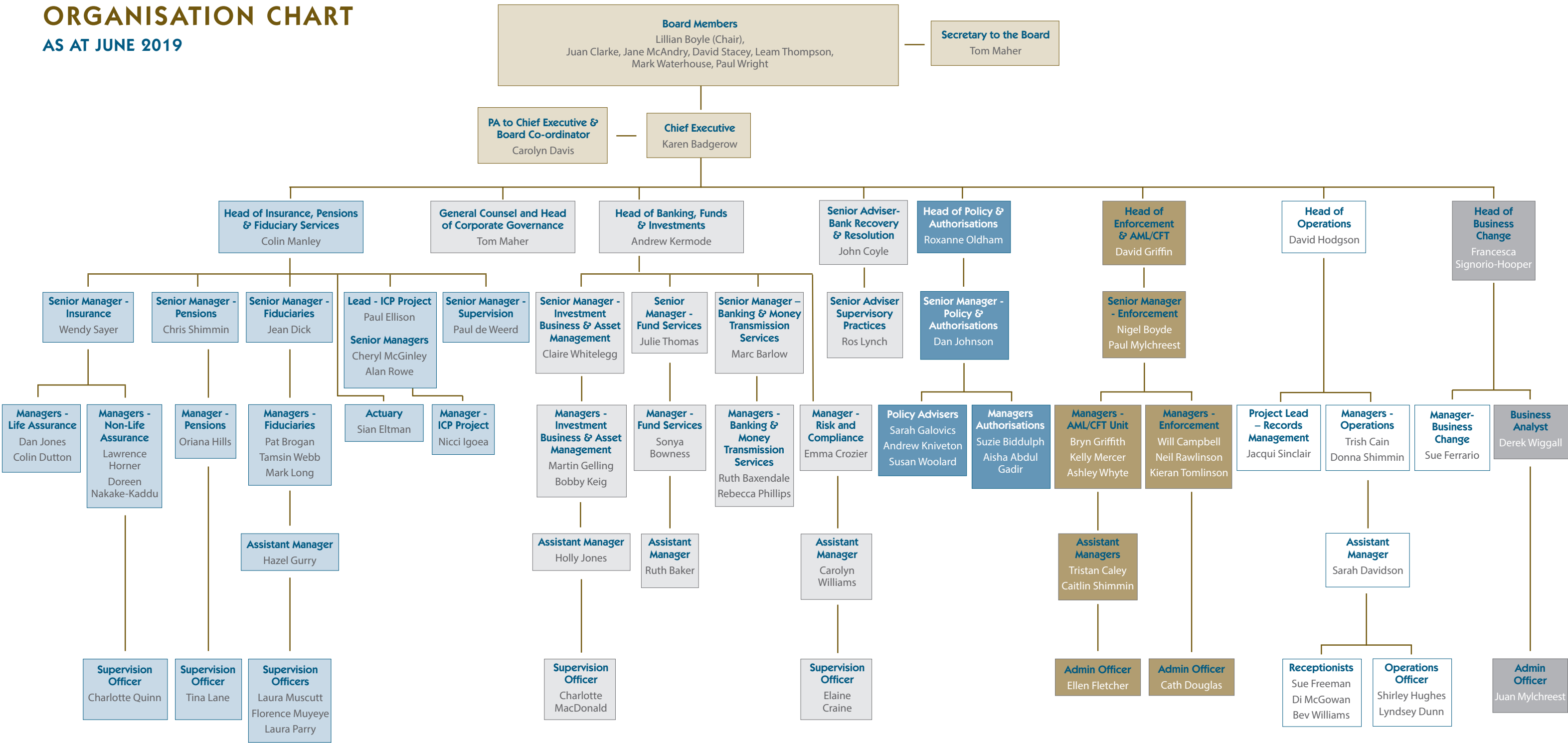
The control environment sets the overall structure for internal control and the exercise of the responsibilities of the Authority’s Board Members, CEO, senior management and officers in regard to all matters, including such areas as the:

- accomplishment of established goals and objectives
- appropriate exercise of powers and delegated authorities within the Authority
- compliance with policies, plans, procedures, law and other requirements
- management of conflicts of interests
- reliability and integrity of management information
- economical and efficient use of all resources
- safe-guarding of all assets.

Whilst responsibility and accountability for internal control is vested with the CEO, the Treasury has a role in reviewing the adequacy of the Authority’s internal controls through use of internal audit processes. The existing memoranda of understanding with Treasury continue to set out the framework for co-operation between the Treasury and the Authority. The memoranda establish arrangements to ensure that the Authority is accountable to Treasury for its actions and clarify the circumstances in which liaison and dialogue can flow between both parties. The Authority intends to enter into an updated memorandum of understanding with the Treasury in due course.

The appointment of a senior advocate to the position of General Counsel and Head of Corporate Governance during the year has provided an opportunity for the Authority to review and enhance its corporate governance framework. The Authority is committed to keeping pace with global standards of corporate governance. In addition to complying with Part 6 of the Government Code, the Authority devised and implemented its own comprehensive Code of Conduct for Members during the year which is available on our website. The Code of Conduct sets out additional governance requirements over and above those contained in Part 6 of the Government Code. In line with best governance practice and our philosophy of being an open and transparent regulator, the Authority also publishes a register of relevant Members’ interests on its website.

ORGANISATION CHART
AS AT JUNE 2019



INDUSTRY STATISTICS

NUMBER OF LICENCES AND REGULATORY PERMISSIONS UNDER THE FSA08

REGULATORY PERMISSIONS

The following table relates to regulated activity under the FSA08 and identifies permissions held by category. Some financial services licence holders are permitted to conduct more than one class of regulated activity, which means that the totals given are permission totals, rather than licence totals. The total licences issued under section 7 of the FSA08 at 31 March 2019 was 197.

Regulated activity under the FSA08	Number of licenceholders conducting the following regulated activities As at 31 March	
	2019	2018
Class 1(1) – Deposit taking	13	14
Class 1(2) – Restricted deposit taking	0	0
Class 1(3) – Bank representative office	1	0
Class 2 – Investment business	43	46
Class 3 – Services to collective investment schemes	43	48
Class 4 – Corporate services	139	139
Class 5 – Trust services	102	103
Class 6 – Crowdfunding platforms	0	0
Class 7 – Management & administration	9	9
Class 8 – Money transmission services	5	5
Class 9 – Credit Unions	1	0

NUMBER OF REGULATORY PERMISSIONS UNDER THE IA08 AND THE RBSA00

Permissions under the IA08 and RBSA00	Number of regulated entities conducting the following activities As at 31 March	
	2019	2018
Authorised insurers – life	13	13
Authorised insurers – non-life	104	107
Permitted insurers – life	7	8
Permitted insurers – non-life	9	9
Insurance managers – life	10	11
Insurance managers – non-life	11	11
General insurance intermediaries	21	21
Administrators – pensions	48	50

THE BANKING INDUSTRY

PROFIT AND LOSS DATA – DEPOSIT TAKERS

The data below is taken from the year-end (unaudited) prudential returns for all year-ends up to and including 31 March 2019 (current year) and 31 March 2018 (prior year). The data includes figures relating to overseas branches of Isle of Man incorporated banks.

	Current year <i>(year-ends between 1 April 2018 and 31 March 2019)</i>		Prior year <i>(year-ends between 1 April 2017 and 31 March 2018)</i>	
Income	£'m	£'m	£'m	£'m
Net interest income	418		366	
Other banking income (including FX income, fees, commissions and charges)	91		89	
Total banking income		509		455
Total non-banking income		8		18
Total income		517		473
Expenses				
Total operating expenses	202		207	
Total other expenses	1		0	
Total expenses		(203)		(207)
Profit before tax and impairment (bad debts)		314		266
Impairment (bad debt) charge		8		(12)
Profit before tax		322		254

ASSETS AND LIABILITIES OF LICENSED BANKS

The data includes figures relating to overseas branches of Isle of Man incorporated banks.

	At 31 March			At 31 March	
Assets	2019	2018	Liabilities	2019	2018
	£'bn	£'bn		£'bn	£'bn
Money market assets, due from banks and building societies	27.3	27.7	Deposits due to banks and building societies**	8.4	7.6
Loans, advances and assets leased*	8.3	7.8	Deposits due to customers	28.2	28.7
Investments	1.9	1.8	Other deposits (held as security and interest payable) including deposits due to public sector bodies	0.3	0.5
Other assets	0.4	0.4	Other liabilities	0.2	0.2
			Capital and reserves	0.8	0.7
Total assets	37.9	37.7	Total liabilities	37.9	37.7

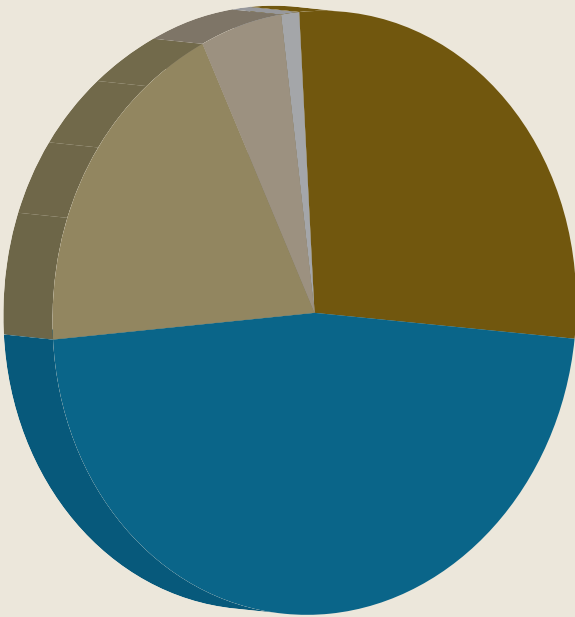
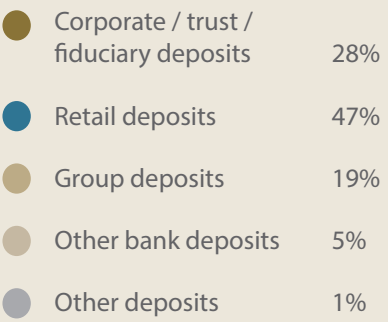
* At 31 March 2019, 37.8% of loans, advances and assets leased were classified as being secured on residential property (31 March 2018: 47.4%). The above figures relating to loans and advances are net of impairment charges.

** Includes deposits/loans received from other Isle of Man banks of £1.31bn (2018: £1.29bn).

GEOGRAPHICAL SOURCE OF NON-BANK DEPOSITS

Country	31 March 2019	31 March 2018	31 March 2017
Isle of Man	34%	35%	35%
United Kingdom	29%	28%	29%
European Union (excluding UK)	6%	6%	6%
Europe (Non-EU)	2%	2%	2%
Middle and Far East	8%	7%	7%
North America	5%	5%	4%
Other	16%	17%	17%

SECTOR ANALYSIS OF DEPOSITS*
INCLUDING INTER-ISLE OF MAN
BANKS AS AT 31 MARCH 2019



*These figures represent deposits with Isle of Man offices of licensed banks only

ULTIMATE COUNTRY OF ORIGIN OF BANKING AND BUILDING
SOCIETY GROUPS* OPERATING IN THE ISLE OF MAN

The ultimate country of origin is that used for definitions of reporting information to the Bank of International Settlements and relates to the country of incorporation of the ultimate parent / controlling party.

At 31 March 2019			
Country	Total	Subsidiaries	Branches
United Kingdom	6	1	5
Spain	1	0	1
South Africa	3	2	1
Trinidad & Tobago	1	1	0
Sub total	11	4	7
Isle of Man	1		
	12		

* excluding Kaupthing Singer & Friedlander (Isle of Man) Limited, in liquidation

DISTRIBUTION OF LOCALLY INCORPORATED BANKS
BY TOTAL CAPITAL RATIO

The capital adequacy of Isle of Man incorporated banks is measured on a risk-weighted basis in accordance with applicable international standards. The higher the ratio, the greater is the level of capital adequacy relative to risk weighted assets. The statutory minimum total capital ratio is 10% (with a minimum common equity tier 1 ratio of 8.5%) and the Authority can agree a higher minimum ratio on an individual bank basis. All Isle of Man incorporated banks are required to notify the Authority if their actual total capital ratio falls, or is expected to fall, within at least 1% of their minimum ratio. All banks therefore have a notification level of 11% or above.

At the end of March 2019 all Isle of Man incorporated banks held more than the statutory minimum total capital ratio (TCR).

Minimum prescribed TCR	Number of locally incorporated banks*	Actual TCR	Number of locally incorporated banks
Less than 10%	N/A	Less than 10%	0
From 10% to less than 15%	5	From 10% to less than 15%	0
From 15% to less than 20%	0	From 15% to less than 20%	4
20% and over	0	20% and over	1
Total	5	Total	5

* excluding Kaupthing Singer & Friedlander (Isle of Man) Limited, in liquidation

COLLECTIVE INVESTMENT SCHEMES AND SERVICES TO SCHEMES
TYPES OF SCHEME AND ASSET VALUES

Category of Collective Investment Scheme	Number of Schemes March 2019 (March 2018)	At 31 March 2019 Net Asset Value of funds under management/ administration US\$	At 31 March 2018 Net Asset Value of funds under management/ administration US\$
Authorised schemes (retail)	3 (4)	246.46m	330.52m
Regulated fund (can be retail)	4 (4)	164.65m	172.10m
Specialist fund	16 (15)	1.27bn	1.39bn
Qualifying fund	8 (8)	251.62m	282.33m
Full international scheme (retail legacy fund)	1 (3)	57.93m	94.33m
Experienced investor funds ('EIF') (legacy funds)			
Closed EIF	3 (7)	18.89m	24.11m
Legacy EIF	5 (5)	128.58m	185.13m
Qualifying EIF	2 (2)	41.82m	48.15m
Exempt schemes	105 (121)	3.69bn	4.40bn
Overseas schemes	33 (46)	4.01bn	5.26bn
Services to overseas managers or administrators of schemes (previously Inward Outsourcing)	46 (6)	1.78bn	808.76m
Closed-ended investment companies* (CEIC)	68 (53)	6.39bn	7.78bn
Total	294 (274)	18.06bn	20.74bn
% Change	+7.30	-12.92	

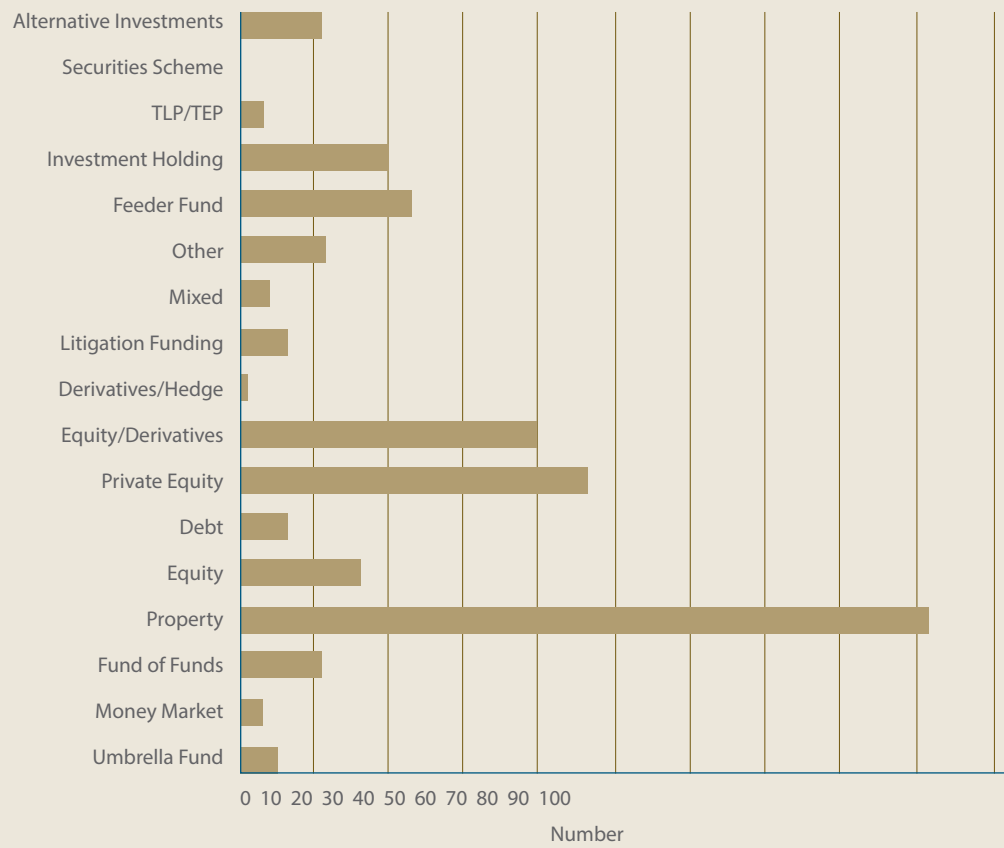
As at 31 March 2019 the Authority also had 24 Recognised Schemes from a designated territory under Schedule 4 paragraph 1 to the Collective Investment Schemes Act 2008 and two Individually Recognised Schemes under Schedule 4 paragraph 2 to that Act.

*Statistics are only collected in relation to services provided to Closed Ended Investment Companies that are listed vehicles or with a minimum NAV of USD\$50 million.

TYPES OF ISLE OF MAN SCHEMES
(PERCENTAGE BREAKDOWN BY NAV)

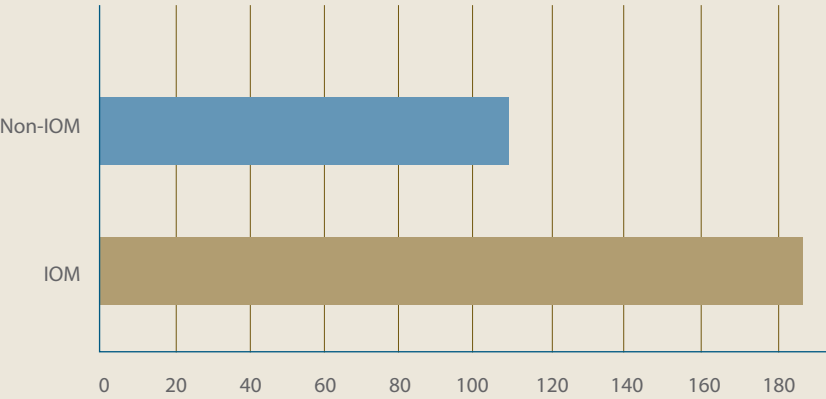
	As at 31 March 2019	As at 31 March 2018
Authorised schemes	2%	2%
Full international schemes	0%	0%
Regulated funds	1%	1%
Specialist funds	7%	7%
Qualifying funds	2%	1%
Experienced investor funds (legacy funds)	1%	1%
Exempt schemes	20%	21%
Overseas	22%	25%
Closed-ended investment companies	35%	38%
Services to overseas managers or administrators of schemes	10%	4%

ASSET CLASSES OF SCHEMES (AT 31 MARCH 2019)



GEOGRAPHICAL ORIGIN OF SCHEMES
(AT 31 MARCH 2019)

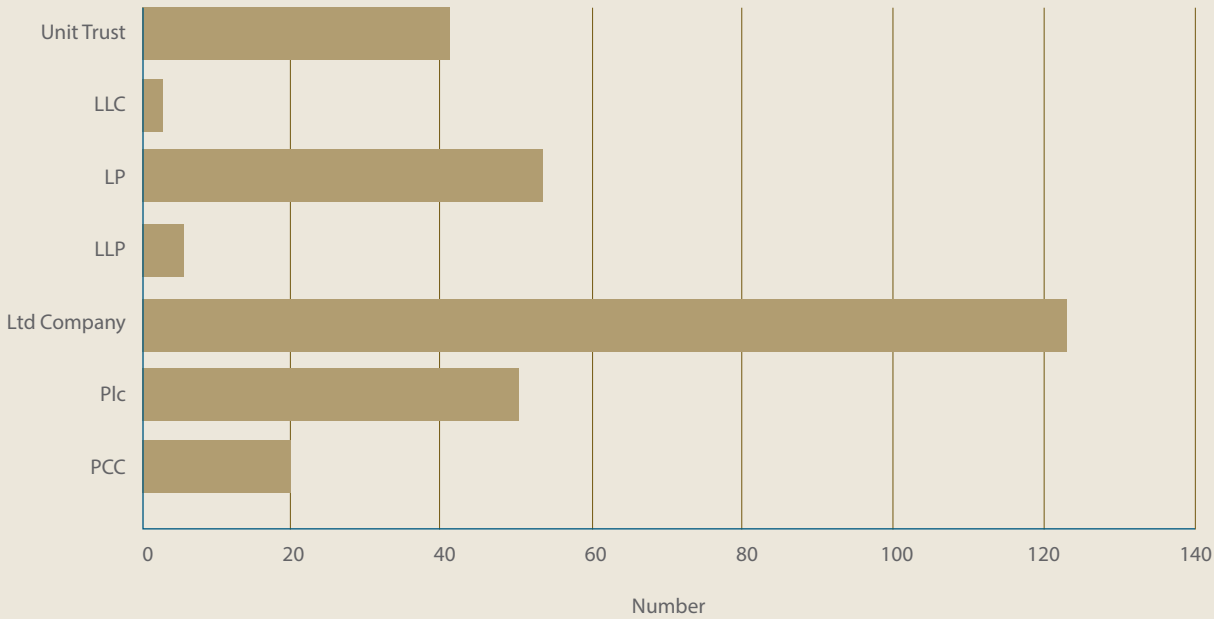
Domicile of collective investment schemes administered in the IOM including services to overseas managers or administrators of schemes.



Origin of non-Isle of Man schemes:

Cayman	69
BVI	24
Jersey	2
UK	4
Bahamas	1
Bermuda	1
Ireland	2
Guernsey	2
Malta	2
USA	1

LEGAL CONSTITUTION OF SCHEMES ADMINISTERED
IN THE ISLE OF MAN (AS AT 31 MARCH 2019)



CORPORATE AND TRUST SERVICES
COMPANIES, TRUSTS AND PARTNERSHIPS UNDER ADMINISTRATION

Companies, partnerships and foundations			
	2018/19	2017/18	Movement
1931 Act Companies	7,402	8,380	-12%
2006 Act Companies	8,572	8,742	-1.9%
Isle of Man public limited companies	85	112	-24%
Public companies incorporated elsewhere	7	9	-22%
Non-public limited companies with more than 50 shareholders	18	27	-33%
Overseas companies not registered under the Foreign Companies Act 2014	9,333	11,371	-18%
Overseas companies registered under the Foreign Companies Act 2014 (a.k.a. 'F-Registered')	413	494	-16%
Limited liability companies	319	332	-3.9%
Partnerships	352	439	-19.8%
Foundations	198	130	+52.3%

Trusts			
	2018/19	2017/18	Movement
Trusts	15,030	16,531	-9%
Private trust companies	167	227	-26%

THE INSURANCE INDUSTRY
PREMIUM AND ASSETS UNDER MANAGEMENT

	31 December 2018 £bns	31 December 2017 £bns
Funds under management – life	66.2	68.9
Funds under management – non life (inc non-EU permit holders)	6.3	6.48
Gross premiums – life	5.34	6.7
Gross premiums – non life (inc non-EU permit holders)	1.24	1.41

THE PENSIONS INDUSTRY
RETIREMENT BENEFITS SCHEMES

Registrations under the Retirement Benefits Schemes Act as at 31 March 2019:

	31 March 2019	31 March 2018
Professional retirement benefits schemes administrators	19	20
In-house schemes administrators	29	30
Domestic authorised schemes	990	993
International authorised schemes	150	145
Recognised schemes	53	53
Permitted schemes	2	2

Retirement Benefits Schemes and Scheme Administrators are registered by the Financial Services Authority under the provisions of the Retirement Benefits Schemes Act 2000.

REMEDIAL AND OTHER REGULATORY ACTIONS

ACTIONS TAKEN UNDER THE FSA08

	Year ended 31 March	
	2019	2018
Directions – under sections 14 and 18 of the FSA08	18 – of which 2 were remedial	22 – of which 2 were remedial
Civil penalties		
Fixed penalties relating to late filings	7	14
Discretionary penalties relating to regulatory breaches	0	1
Section 11 - warning notices	0	2
Section 23 - reporting accountant	0	1
Section 22 – successful application to court for the appointment of a business manager	0	0
FSA08 licences (or classes thereof) suspended	0	0
FSA08 licences (or classes thereof) revoked	0	1

ACTIONS TAKEN UNDER THE CISA08

CISA08	Year ended 31 March	
	2019	2018
Section 11A – not fit and proper	0	0 The Authority issued a ‘minded to issue’ notice in relation to this power, but the power was not used because the application for the appointment of the individual was withdrawn
Section 11B – prohibitions	0	0
Section 11F - warning notices	0	0
Section 12 - directions	1 The Authority also issued a ‘minded to issue’ notice in relation to this power, but the power was not used because the Fund undertook alternative action acceptable to the Authority	0
Section 13 – appointment of an adviser to a fund	0	0 Although no new appointments were made in the period, variations to existing appointments occurred.
Section 13 – appointment of a person to assume control of a fund	0	0 Although no new appointments were made in the period, variations to existing appointments occurred.
Section 15 – application to court granted for winding up and appointment of a liquidator to a fund	0	1
Section 16 – application to court granted for the appointment of an inspector to a fund	0	0
Section 19A – civil penalty	0	0

ACTIONS TAKEN UNDER THE IA08 AND THE RBSA00

IA08	Year ended 31 March	
	2019	2018
Section 33 – imposition of requirements	2	0
Section 29 – not fit and proper direction	0	1
Schedule 5 – information request	3	0

RBSA00	Year ended 31 March	
	2019	2018
Section 19 – not fit and proper direction	0	0

ACTIONS TAKEN UNDER THE COMPANY OFFICERS DISQUALIFICATION ACT 2009

CODA09	Year ended 31 March	
	2019	2018
	2	4

INCOME AND EXPENDITURE

STATEMENT OF RESPONSIBILITIES IN RESPECT OF THE CHIEF EXECUTIVE’S REPORT AND THE ACCOUNTS

The Chief Executive is the Accountable Officer for the Isle of Man Financial Services Authority (“the Authority”) and is responsible for the preparation of both the Chief Executive’s Report and these Accounts. The Chief Executive is also responsible under the Isle of Man Government Financial Regulations for assisting the Chief Financial Officer of the Treasury in ensuring that accounting and financial records are maintained in accordance with the requirements of the Audit Act 2006.

The Chief Executive ensures that accounts are prepared for each financial period, which meet the requirements of the Accounts and Audit Regulations 2018 made under the Audit Act 2006. In addition, the accounts are prepared in accordance with the UK Accounting Standards including FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland as applicable to the Authority.

In preparing these accounts, the Chief Executive has:

- ensured that suitable accounting policies have been selected and then applied consistently
- made judgements and estimates that are reasonable and prudent
- stated whether applicable UK Accounting Standards including FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland as applicable to the Authority have been followed
- assessed the Authority’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern
- used the going concern basis of accounting unless the intention is to liquidate the Authority or to cease operations, or have no realistic alternative but to do so.

The Members are responsible for such internal controls as they determine are necessary to enable the preparation of accounts that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Authority and to prevent and detect fraud and other irregularities.

The Members of the Authority are responsible for approving the accounts, and should not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Authority and of the income or expenditure of the Authority for that period.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE ISLE OF MAN FINANCIAL SERVICES AUTHORITY

OPINION

We have audited the Accounts of the Isle of Man Financial Services Authority (“the Authority”) for the year ended 31 March 2019 which comprise the Income and Expenditure Account and related notes, including the accounting policies in note 1.

In our opinion the Accounts:

- give a true and fair view of the state of the Authority’s Income and Expenditure for the year ended 31 March 2019
- have been properly prepared in accordance with UK Accounting Standards including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, as applicable to the Authority; and
- have been properly prepared in accordance with the provisions of the Accounts and Audit Regulations 2018 made under the Audit Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Authority in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

GOING CONCERN

The Chief Executive has prepared the Accounts on the going concern basis as they do not intend to liquidate the Authority or to cease its operations, and as they have concluded that the Authority’s financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the Accounts (“the going concern period”).

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the Accounts. In our evaluation of the Chief Executive’s conclusions, we considered the inherent risks to the Authority’s business model and analysed how those risks might affect the Authority’s financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor’s report is not a guarantee that the Authority will continue in operation.

OTHER INFORMATION

The Chief Executive is responsible for the other information presented with the Accounts. Our opinion on the Accounts does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our Accounts audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In accordance with section 6(2) of the Audit Act 2006, we are required to include a statement in our audit report providing particulars where in relation to the Accounts we:

- (a) are not satisfied as to any of the matters specified in section 4(1) of the Audit Act 2006;
- (b) consider that any matter specified in section 4(2) of the Audit Act 2006 is contrary to law, or;
- (c) consider that the relevant body has failed in any respect mentioned in section 4(3) of the Audit Act 2006.

We have nothing to report in respect of the matters on which we are required to report by exception.

CHIEF EXECUTIVE'S RESPONSIBILITIES

As explained more fully in their statement set out on page 1, the Chief Executive is responsible for: the preparation of the Accounts and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of Accounts that are free from material misstatement, whether due to fraud or error; assessing the Authority’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Authority or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES

Our objectives are to obtain reasonable assurance about whether the Accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor’s report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Accounts.

A fuller description of our responsibilities is provided on the FRC’s website at www.frc.org.uk/auditorsresponsibilities

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the Authority’s members, as a body, in accordance with the Accounts and Audit Regulations 2018 made under the Audit Act 2006. Our audit work has been undertaken so that we might state to the Authority’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority’s members as a body, for our audit work, for this report, or for the opinions we have formed.

KPMG Audit LLC
Chartered Accountants
Heritage Court
41 Athol Street
Douglas
Isle of Man IM99 1HN

INCOME AND EXPENDITURE ACCOUNT

for the year ended 31 March 2019

Income	Notes	£	2018-19 £		2017-18 £
Fee Income	1(b), 2		3,181,950		3,191,885
Civil Penalties	2		17,200		22,500
Government Grant	11		2,853,790		2,875,954
Other Income			106		28,936
Increase to budget at year-end	3,11		215,000		
Total Income	1(b)		6,268,046		6,119,275
Expenditure					
Salaries	3	4,900,798			4,556,556
Members' Remuneration	4	159,890			166,464
Recruitment		9,632			27,319
Agency Staff		-			8,353
Premises		313,602			300,599
Training		72,892			79,289
Travel and Subsistence		51,191			52,649
Professional Fees and External Consultancy	5	653,317			611,761
Operating Expenses		59,690			49,762
Information Technology		89,182			130,798
Professional Subscriptions		69,775			76,030
Other expenses		11,017			10,426
Loan Charges	6	35,900			22,900
Bad Debts		1,160			369
Reimbursements to/ (from) Internal Funds	7	(160,000)			26,000
Total Expenditure	1(c)	(6,268,046)			(6,119,275)
Surplus/(deficit) for the period		-	-		-

The income and expenditure account was approved by the Financial Services Authority on the 20 July 2019 and signed on its behalf by Ms Lillian Boyle, Chairman and Ms Karen Badgerow, Chief Executive.

The notes on pages 64 to 66 form part of these Accounts.

NOTES

to the accounts for the year ended 31 March 2019

1. ACCOUNTING POLICIES

a) Basis of accounting

The Isle of Man Financial Services Authority (“the Authority”) is constituted under the Transfer of Functions (Isle of Man Financial Services Authority) Order 2015 as a Statutory Board of Tynwald. The income and expenditure account is part of the general revenue account of the Isle of Man Government. Accordingly, any deficit or surplus for the year forms part of general revenue and any deficit or surplus is not retained by the Authority. The Isle of Man Government is committed to funding any shortfall of the Authority on an on-going basis, in accordance with section 52(1) of the Financial Services Act 2008.

The accounts are prepared in accordance with the Accounts and Audit Regulations 2018, made under the Audit Act 2006. They are also prepared in accordance with UK Accounting Standards including FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland, as applicable to the Authority, and in accordance with the Isle of Man Statement of Recommended Practice 2007 (“the SORP”) on accounting for entities subject to the Audit Act 2006 to the extent applicable to the Authority. The Authority does not hold any assets or liabilities on its own account. Any assets or liabilities arising from the Authority’s activities are held by the Isle of Man Government.

b) Income

Income is recognised when fees are invoiced. Income that remains due and is deemed irrecoverable is written off at the end of the period. No debtors or deferred income are recognised by the Authority, consistent with the policy that no assets or liabilities are recognised by the Authority (note 1(a) and 1(e)).

c) Expenditure

Expenditure is accounted for when paid. No prepayments or accruals are recognised by the Authority consistent with the policy that no assets or liabilities are recognised by the Authority (note 1(a) and 1(e)).

The Authority has elected to include the cost of fixed assets within expenditure, rather than capitalising. The Authority, as a Statutory Board, does not hold assets in its own name. Any assets purchased are of immaterial value with limited useful lives and therefore a policy of non-capitalisation is adopted.

d) Pensions

The majority of the Authority’s employees are members of the Isle of Man Government Unified Pension Scheme which is administered by the Public Service Pensions Authority. Employees contribute to the scheme with employer’s contributions being funded from the Authority’s salaries budget (see note 3 overleaf).

e) Balance sheet

The Authority is a Statutory Board of the Isle of Man Government and does not hold any assets or liabilities in its own name. Accordingly, a Balance Sheet does not form part of the Accounts.

2. FEE INCOME AND CIVIL PENALTIES

Fee income comprises annual, application and pro-rata fee income in relation to Deposit Taking, Investment Business, Services to Collective Investment Schemes, Corporate Services, Trust Services, E-money and Money Transmission Services, Collective Investment Schemes, Authorised Insurers, Insurance Permit Holders, Insurance Managers, Insurance Intermediaries and Pensions Scheme Administrators along with registration fees and annual fees from Designated Businesses.

To differentiate between different sources of income, income from administrative civil penalties levied on regulated entities and civil penalties levied on designated businesses is shown separately from fee income.

3. SALARIES

Included within salaries are employer pension contributions of £465,821.

Annual remuneration of the employees of the Authority was payable within the following bands:

	2019 Number of employees	2018 Number of employees
£0 - £99,999	72	72
£100,000 - £199,999	5	4
£200,000 - £300,000	1	1
	78	77

The 78 members of staff equate to a full time equivalent of 71.5 employees.

In 2017/18 the Authority was asked by Treasury to take on an additional role for a two year period to determine the Island’s approach to Bank Recovery and Resolution. An additional headcount, over and above the Authority’s agreed staffing level, was established for this advisory role. The associated expenditure is included in the Authority’s final salary figure. Treasury had agreed to cover any overspend in the Authority’s staffing budget resulting from this additional temporary appointment and this is one of the factors in the increase to the Authority’s budget at the year-end.

Separately, with the agreement of Treasury, the Authority had available an agreed amount for employing temporary resource to progress key projects; the year-end increase to budget includes drawing from this funding. The agreement with Treasury was that this additional funding had to be utilised by the end of 2018/19.

4. MEMBERS’ REMUNERATION

During the year, three Members retired from the Board with two new Members being appointed. Total membership has reduced from nine to eight, including the Chief Executive. Salary cost in respect of the Chief Executive is included within “Salaries” (note 3).

5. PROFESSIONAL FEES AND EXTERNAL CONSULTANCY

Professional fees and external consultancy includes expenditure on actuarial, accountancy, legal and consultancy services procured by the Authority. The Authority continues to experience a significant number of cases requiring external legal advice, and costs in relation to the engagement of these legal services are a significant contributor to total expenditure in the area.

6. LOAN CHARGE

At the end of 2015/16, an amount of £200K was ring-fenced within Government’s central funding for future draw downs in respect of merger related costs. It was agreed with Treasury that this would be on a repayment basis - to be repaid over a period of 10 years with interest to be paid at a rate of 1.5% for 17/18, uplifted to 2% for 18/19 onwards.

7. REIMBURSEMENTS FROM INTERNAL FUNDS

A reimbursement was made by Treasury at the year end, in respect of professional fees. An overspend in this area was due to the significant cost of ongoing Enforcement cases.

8. OPERATING COMMITMENTS

The Authority pays an annual fee to the Isle of Man Government for the use of the building on a non-lease basis.

9. SEGMENTAL REPORTING

No segmental analysis has been provided as the Authority has only one business activity and operates in only one geographical area, being the regulation of relevant entities in the Isle of Man.

10. RELATED PARTY DISCLOSURES

There were no related party transactions requiring disclosure in the Accounts as the Authority is exempt from this disclosure as the Central Government publish their financial statements and disclose the relevant transactions.

Some Members of the Authority’s Board may also act as Directors of licenceholders. All licenceholder fees are charged in accordance with the Financial Services (Fees) Order; Insurance (Fees) Regulations; Collective Investment Schemes (Fees) Order; and the Registered Schemes Administrators (Fees) Order. The total fees generated, from entities where Members are directors, were £41,014, which compares to £121,830 for the prior year.

11. GOVERNMENT GRANT

As per note 1(a), any deficit or surplus generated by the Authority during the financial year forms part of the general revenue and, accordingly, is not retained by the Authority. The Isle of Man Government is committed to funding any shortfall of the Authority on an on-going basis, in accordance with section 52(1) of the Financial Services Act 2008.

A budgetary grant was approved by Tynwald at its February 2018 sitting, and published in the same month within the Isle of Man Government’s “Budget Report and Estimates 2018-19”. This grant secured the provision of up to £2,906,162 to cover any shortfall.

The grant figure has not been fully allocated; Treasury’s agreement to cover the cost of an additional temporary appointment (see note 3.), together with the temporary funding available for key projects, is reflected by an increase of £215,000 to the Authority’s budget at the year end. As a consequence of this adjustment, the difference between the Authority’s income (excluding Government Grant) and expenditure was less than the budgeted grant.

LEGISLATION COMING INTO EFFECT BETWEEN 1/4/18 AND 31/3/19

All recent Isle of Man legislation is now accessible via: <http://www.legislation.gov.im/cms/en/>

Secondary legislation made or drafted by the Isle of Man Financial Services Authority:

- SD no. 2018/0059 effective 1 April 2018 – Collective Investment Schemes (Fees) Order 2018. This Order specifies the application fees and periodical fees payable by schemes under the Collective Investment Schemes Act 2008.
- SD no. 2018/0060 effective 1 April 2018 – Financial Services (Fees) Order 2018. This Order specifies the application fees and annual fees payable in respect of the licensing of regulated activities under the Financial Services Act 2008.
- SD no. 2018/0061 effective 1 April 2018 – Insurance (Fees) Regulations 2018. These Regulations specify the application fees and annual fees payable under the Insurance Act 2008.
- SD no. 2018/0062 effective 1 April 2018 – Registered Schemes Administrators (Fees) Order 2018. This Order specifies the application fees and annual fees charged to schemes administrators that are registered with the Isle of Man Financial Services Authority under the Retirement Benefits Schemes Act 2000.
- SD no. 2018/0089 effective 1 May 2018 - Financial Services (Exemptions) (Contracts of Insurance) Regulations 2018. These Regulations revoke the Financial Services (Exemptions) (Contracts of Insurance) Regulations 2014, which related to the revoked Regulated Activities (Contracts of Insurance) Order 2014 and so are no longer required.
- SD no. 2018/0096 effective 1 May 2018 - Regulated Activities (Contracts of Insurance) Order 2018. This Order revokes the Regulated Activities (Contracts of Insurance) Order 2014 following the addition of new section 48A to the Insurance Act 2008 which renders the 2014 Order unnecessary.
- SD no. 2018/0131 effective 1 June 2018 - Payment Services (Amendment) Regulations 2018. The main purpose of these Regulations is to amend the Payment Services Regulations 2015 so as to extend the definition of “relevant State” to include Guernsey and Jersey.
- SD no. 2018/0147 effective 31 May 2018, 30 June 2018, 30 November 2018 and 1 January 2019 - Insurance (Amendment) Act 2017 (Appointed Day) (No.2) Order 2018. This Order provides for the commencement of most provisions of the Insurance (Amendment) Act 2017.
- SD no. 2018/0192 effective 30 June 2018 - Insurance Regulations 2018. These Regulations replace the Insurance Regulations 1986 and contain general provisions for authorised insurers including the categories and classes of insurance business, and the exemptions from being authorised under section 5 of the Insurance Act 2008. In addition, the Regulations apply certain requirements to foreign insurers that hold permits and set reporting requirements for business carried on by authorised insurers.
- SD no. 2018/0193 effective 30 June 2018 - Insurance (Long Term Business Valuation and Solvency) Regulations 2018. These Regulations impose requirements for the calculation of the minimum capital requirement and solvency capital requirement for long-term insurance business.
- SD no. 2018/0151 effective 1 August 2018 - Financial Services (Amendment) Rule Book 2018. This Rule Book amends the Financial Services Rule Book 2016, primarily to reflect changes to the periods of notification of certain appointments to licenceholders.
- SD no. 2018/0247 effective 1 January 2019 - Corporate Governance Code of Practice for Commercial Insurers. This binding guidance sets out enhanced governance requirements for all long term insurers and commercial non-long term insurers.
- SD no. 2018/0290 effective 1 January 2019 - Insurance (Conduct of Business) (Non Long Term Business) Code 2018. These binding Guidance Notes require authorised insurers that carry on non-long term business (Classes 3 – 9) to ensure the fair treatment of any third party policyholders.
- SD no. 2018/0291 effective 1 January 2019 and 1 July 2019 - Insurance (Conduct of Business) (Long Term Business) Code 2018. These binding Guidance Notes require authorised insurers that carry on long term business (Classes 1 and 2) to ensure the fair treatment of any third party policyholders.
- SD no. 2018/0310 effective 1 February 2019 - Beneficial Ownership (Civil Penalties) Regulations 2018. These Regulations specify the civil penalties to be levied if relevant persons contravene certain requirements of the Beneficial Ownership Act 2017.

CONSULTATIVE DOCUMENTS ISSUED
BETWEEN 1/4/18 AND 31/3/19

Title of consultation	Date consultation published	Date consultation closed
Insurance Intermediation – exemptions from registration and cross border business	19 April 2018	28 June 2018
5th Quantitative Impact Study for Non-Life Insurers	13 July 2018	31 October 2018
Possible expansion of Class 6 Regulated Activity (Crowdfunding Platforms)	23 August 2018	5 October 2018
The Draft Beneficial Ownership (Civil Penalties) Regulations 2018 For Contraventions Under The Beneficial Ownership Act 2017	24 September 2018	2 November 2018
Credit Unions: The New Regulatory Regime and Amendment to Loan Interest Rate	5 November 2018	14 December 2018
Group Supervision Consultation Paper	9 November 2018	31 January 2019
Corporate Governance Requirements for Insurance Intermediaries	9 November 2018	31 January 2019
Fees 2019	15 November 2018	11 January 2019
Public disclosure for authorised insurers	17 December 2018	28 February 2019
AML/CFT Framework	13 February 2019	27 March 2019
Anti-Money Laundering and Countering the Financing of Terrorism (Specified Non-Profit Organisations) Code	13 February 2019	27 March 2019

2018 INDUSTRY SURVEY – PROGRESS
AGAINST ACTION PLAN

In November the Authority provided a copy of its action plan arising from the 2018 Industry Survey. Whilst greater details about the work summarised below can be found in the main body of this report, this Appendix provides an update against the 2018 Industry Survey action plan:

SUPERVISION IN A CHALLENGING MACRO ENVIRONMENT

What you said	Progress made in the period	Timing	Desired outcome
MoneyVal – uncertainty as to what this will mean for industry. ~ There is a need to harmonise AML/CFT legislation.	Considerable industry engagement was undertaken by the Authority through the latter part of 2018 and early 2019 to support the introduction of the new AML/CFT Code which is scheduled for implementation in mid-2019.	Complete	Industry have clarity following finalisation of Code.
Increased scrutiny of offshore centres.	Continue to work with Cabinet Office and other government agencies to address external threats to the Island’s proposition in a manner that ensures that the economy is protected (OECD, EU Substance, MoneyVal). ~	Ongoing	Tackle negative perceptions of the Island from within international supra-organisations resulting in improved relationships.
	Enhance the engagement of the Authority in International forums such as IAIS, Basel, IOSCO, GIFCS, GIICS, and MoneyVal to enhance knowledge and understanding of the Island and its economy and to erode negative perceptions.	Ongoing	
A better understanding of the operating environment and commercial interface would make supervisory activities more effective.	Leverage our interaction with firms through Annual Business Meetings and other outreach opportunities to understand better the commercial environment to build a picture of the challenges facing industry at a macro level. ~	Ongoing	Authority staff are up to date with issues affecting industry and this understanding is reflected in the supervisory approach and regulatory developments.
	Enhance the engagement of the Authority in International forums such as IAIS, Basel, IOSCO, GIFCS, GIICS and MoneyVal to obtain the global view of the pressures and developing issues impacting industry. ~ In the year under review the Authority was granted membership of the Global Financial Innovation Network.	Ongoing	

APPROACH OF THE AUTHORITY

What you said	What we are already doing	Timing	Desired outcome
<p>The Authority could be more effective in identifying risks and issues affecting firms and intervene earlier to prevent unacceptable risk.</p> <p>~</p> <p>The Authority could understand our business better.</p>	<p>Introduction of a consistent risk assessment methodology.</p> <p>~</p> <p>Work on the Authority’s new data system, ATLAS/CASCADE, continued through 2018/19 and will over time deliver improvements in how information is provided to the Authority and ultimately in how it is used by the Authority in pursuit of its statutory objectives.</p> <p>~</p> <p>Review of supervisory approach consistent with the vision and values.</p> <p>A key element of the methodology is the development of enhanced risk assessments for all firms, accompanied by risk governance panels to ensure a consistent application of the approach to risk assessment. This approach is currently being piloted across several sectors within the Authority.</p> <p>~</p> <p>Publication of supervisory approach.</p>	<p>Complete</p> <p>~</p> <p>Ongoing</p> <p>~</p> <p>Ongoing</p> <p>~</p> <p>2019/20</p>	<p>Our work plans will be risk focused and officers will be able to articulate the risks being addressed.</p> <p>~</p> <p>Automated systems will enhance the efficiency and capacity of the Authority.</p> <p>~</p> <p>Consistent approach and behaviours exhibited by staff of the Authority.</p> <p>~</p> <p>Firms understand the types and level of engagement they can expect from the Authority and the reasons for that engagement.</p>
	<p>Thematics will become a more widely used supervisory tool with publication of good practices and where improvements are required.</p>	<p>Complete</p>	<p>Firms understand Authority expectations.</p>
	<p>Work on the Authority’s new data system, ATLAS/CASCADE, continued through 2018/19 and will over time deliver improvements in how information is provided to the Authority and ultimately in how it is used by the Authority in pursuit of its statutory objectives.</p>	<p>Ongoing</p>	<p>Improved efficiencies for both the Authority and firms in the submission of information to the Authority.</p>

APPLICATION OF PROPORTIONALITY AND A PRINCIPLED APPROACH

What you said	What we are already / propose doing	Timing	Desired outcome
<p>There is a need to strike an appropriate balance between regulatory objectives and the burden of compliance (especially in the smaller firms).</p>	<p>Development and publication of FSA Strategic plan.</p> <p>~</p> <p>Review of supervisory approach consistent with the vision and values.</p> <p>A key element of the methodology is the development of enhanced risk assessments for all firms, accompanied by risk governance panels to ensure a consistent application of the approach to risk assessment. This approach is currently being piloted across several sectors within the Authority.</p> <p>~</p> <p>Publication of supervisory approach.</p> <p>~</p> <p>Where possible consultations are scheduled to reduce the burden on firms.</p> <p>~</p> <p>Prior liaison with industry bodies is the preferred approach when introducing changes to legislation.</p> <p>~</p> <p>With effect from 1 January 2019 and where appropriate, all consultations to include a section on application to smaller firms.</p>	<p>Complete</p> <p>~</p> <p>Ongoing</p> <p>~</p> <p>2019/20</p> <p>~</p> <p>Complete</p> <p>~</p> <p>Complete</p> <p>~</p> <p>Complete</p>	<p>Our work plans will be risk focused and officers will be able to articulate the risks being addressed.</p> <p>~</p> <p>All firms understand the level of engagement that they can expect from the Authority and the reasons for this.</p>
	<p>A number of ‘drop’ in workshops were undertaken as part of the outreach programme for the changes to the AML/CFT Code.</p> <p>This format will continue as required into 2019/20 and beyond.</p>	<p>Ongoing</p>	
	<p>Develop a Social Media strategy.</p> <p>~</p> <p>Review the mechanisms for updates to enable targeted distributions.</p> <p>~</p> <p>Address issues with RSS.</p>	<p>On hold</p> <p>~</p> <p>On hold</p> <p>~</p> <p>2019/20</p>	
<p>Smaller firms are less likely to use their industry bodies to engage with the Authority.</p> <p>Smaller firms are less engaged and would welcome more opportunities for informal interaction through which guidance can be sought.</p>			<p>All firms feel that they are able to interact with the Authority and receive guidance.</p>
<p>Make it easier to find information.</p> <p>~</p> <p>Target updates to the industry it relates.</p>			<p>Guidance is easy to find</p> <p>~</p> <p>Firms are informed about information that relates to them.</p>

REMEDIATION AND ENFORCEMENT

What you said	What we are already / propose doing	Timing	Desired outcome
Firms questioned whether the Authority focuses on the right things.	Development and publication of FSA Strategic Plan. ~	Complete	Our work plans will be risk focused and officers will be able to articulate the risks being addressed. ~ All firms understand the level of engagement that they can expect from the Authority and the reasons for this.
	Review of supervisory approach consistent with the vision and values. A key element of the methodology is the development of enhanced risk assessments for all firms, accompanied by risk governance panels to ensure a consistent application of the approach to risk assessment. This approach is currently being piloted across several sectors within the Authority. ~	Ongoing	
Firms would like more feedback about remediation and enforcement actions and provide follow up analysis of important cases for industry to learn from.	Publication of supervisory approach.	Ongoing	Firms understand Authority expectations.
	Thematics will become a more widely used supervisory tool with publication of good practices and where improvements are required. ~	Complete	
	Enforcement actions are discussed in the body of this report and statistics are provided in Appendix D. ~	Ongoing	
Some firms requested ongoing updates on ongoing cases.	Within the confines of protecting the rights of the individuals the Authority will publish key learnings for industry arising from remediation and enforcement actions taken in the year.	Ongoing	Firms understand what information the Authority is able to share and what information it is not.
	The Authority has developed and implemented a new enforcement decision-making process which will be introduced to industry during a series of seminars in Q3 2019 and published on the Authority's website. ~	2019/20	
	The Authority will continue to uphold the rights of individuals by ensuring enforcement matters are confidential.	Complete	

PERFORMANCE AGAINST STRATEGIC PLAN

Enhance the framework to protect consumers and deter financial crime	
Introduce improvements to the Retirement Benefit Schemes Act	This project involves changes to primary legislation and as such is a longer-term project which will be ongoing beyond the period of the Strategic Plan. To date we have issued a discussion paper to seek views on the best legislative approach to implement any improvements.
Enhanced AML/CFT reporting requirements for industry [annual returns]	2018/19 represents the second year that the Authority has collected comprehensive AML/CFT data from industry, on a best endeavours basis. The information is being used to inform supervision of sectors and individual entities and, over time, as the analytical capability of the Authority improves through the development of the new data system, will yield more industry and thematic information.
Update AML/CFT Code	Considerable industry engagement was undertaken by the Authority through the latter part of 2018 and early 2019 to support the introduction of the new AML/CFT Code which is scheduled for implementation in mid-2019 ¹ . In addition to further strengthening the Authority's compliance with MONEYVAL requirements, the enhancements to the AML/CFT Code and attendant guidance will ensure greater consistency across all regulated sectors.
Review of Life Assurance Compensation Scheme	The Life Assurance Compensation scheme was first introduced in 1991 and has not been the subject of a comprehensive review since this time. During the latter part of 2018 initial work was undertaken to review the scheme and identify areas requiring further clarification and guidance. Work during 2019 will focus on completing the identified actions associated with the review and engaging with industry to undertake a desktop exercise to test the scheme.

¹Implemented in June 2019

Enhance clarity around our regulatory, supervisory and enforcement processes	
Banking reform and Bank Recovery/ Resolution	This is a Treasury-led initiative to which the Authority is providing support. The focus of the project to date is the development of the necessary legislative framework to support the resolution of a bank, and the appropriate mechanism for resolution. The components have now been agreed and drafting instructions prepared with the aim of a Banking Recovery and Resolution Bill entering the Branches during the 2019/2020 legislative session.
Enforcement Decision-Making Process	In its Strategic Plan, the Authority committed to further develop our culture of constructive, open and transparent engagement with industry and other key stakeholders. As part of that commitment, the Authority has developed and implemented a new enforcement decision-making process. The Authority will be introducing this new decision-making process to industry during a series of seminars in Q3 2019. The decision-making process document ("Published DMP"), which will be published on the Authority's website, sets out clearly the staged process which the Authority follows when considering a certain enforcement action. The Published DMP also introduces for the first time in a public document the concept of settlement in enforcement cases.
Update of the Supervisory Methodology	The objective of this project is to create a single risk-based supervisory framework across all areas regulated by the Authority. A key element of the methodology is the development of enhanced risk assessments for all firms and the establishment of risk governance panels to ensure a consistent application of the approach to risk assessment. This approach is currently being piloted across several sectors within the Authority. We will continue to finalise the methodology over 2019/20 with a view to publishing the revised supervisory approach.
Credit Union secondary legislation	All necessary legislation has now been implemented and the credit union framework is now in force.
Implementation of core elements of the ICP Project	<p>Key elements of the framework for life insurers were implemented during 2018/19, with the main outstanding areas being group supervision¹ and public disclosure. Work continues towards developing an updated capital framework for non-life insurers and updated governance requirements for non-commercial non-life insurers. All proposed changes for general insurance intermediaries have now been consulted on; it is intended to consolidate all requirements for a final consultation during 2019.</p> <p>Full details of this project including performance against plan can be found in the latest version of the 'Roadmap for updating the Isle of Man's regulatory framework for insurance business' which is on the Authority's website.</p>

¹ Implemented on 1 July 2019

Encourage innovation and continuous improvement in all that we do	
General innovation activities	<p>As highlighted earlier in the report under "Stakeholder Engagement", the Authority worked closely with the new Digital Isle of Man Agency to support their development of the Blockchain Office and to establish mechanisms, such as a sandbox approach, to assist firms seeking to establish a regulated entity in the IOM.</p> <p>During the year the Authority was granted membership of the Global Financial Innovation Network, a group of worldwide regulators who are coming together to share knowledge, experiences and opportunities for supporting Fintech within and across their jurisdictions.</p>
Ongoing development of new regulatory data system	Work on the Authority's new data system, ATLAS/CASCADE, continued through 2018/19 and will over time deliver improvements in how information is provided to the Authority and ultimately in how it is used by the Authority in pursuit of its statutory objectives. This is a multi-year project and is a tri-agency undertaking, involving Government Technology Services, the Gambling Supervision Commission and the Authority.
Continued engagement	The Authority undertook three major initiatives in 2018/19 specifically related to industry engagement. The first was the continuation of Board and industry association meetings, carried out during the first part of 2018. In late summer 2018 the Authority launched its first industry survey, details of which can be found in the "Business Change" section of this report and the results of which were published in November 2018. Finally, also in November 2018, the Authority held an industry update event, which was attended by 490 representatives. A range of actions arose from these events and are continuing to be pursued by the Executive.

Create an environment that enables staff to fulfil their potential	
Development of structured learning and development programme for staff	The Authority has continued to enhance its learning and development programme as well as developing its succession management process. In the latter part of 2018 the Authority provided self awareness training for all its staff to improve performance and make the most of working relationships.
Continued enhancements suggested in the employee survey	Many of the actions arising from the staff survey were addressed almost immediately while a small number are longer term actions. A follow up survey is planned during 2019 to assess the success of the measures implemented to date.
Activities targeted at staff engagement in the systems development project	The development process involves IT specialists and developers working closely with representatives from all areas of the organisation. As such staff have early exposure to changes that will arise from this development.

OTHER INFORMATION

The Authority's website www.iomfsa.im contains useful information including an outline of the regulatory requirements covering all areas of the Authority's remit.

Publications relating to financial services activities in general are available from the Department for Enterprise, St George's Court, Upper Church Street, Douglas, Isle of Man, IM1 1EX or can be downloaded from <http://www.wheretheyoucan.com/finance>

GLOSSARY

ACSP	Association of Corporate Service Providers	IA08	Insurance Act 2008
AML	Anti-Money Laundering	IAIS	International Association of Insurance Supervisors
AML/CFT Code	Anti-Money Laundering and Countering the Financing of Terrorism Code 2015	ICP	Insurance Core Principles (published by the IAIS)
Authority	Isle of Man Financial Services Authority	ICRG	International Co-operation Review Group
BOA17	Beneficial Ownership Act 2017	IOMWFSA	Isle of Man Wealth & Fund Services Association
CEO	Chief Executive Officer	IOSCO	International Organisation of Securities Commissions
CFT	Countering the Financing of Terrorism	Island	Isle of Man
CISA08	Collective Investment Schemes Act 2008	IT	Information Technology
CODA09	Company Officers Disqualification Act 2009	MMOU	Multilateral Memorandum of Understanding
DHA	Department of Home Affairs	MONEYVAL	Committee of Experts on the Evaluation of Anti-money Laundering Measures
DBROA15	Designated Businesses (Registration and Oversight) Act 2015	MOU	Memorandum of Understanding
Department for Enterprise	DfE	POCA08	Proceeds of Crime Act 2008
Designated Businesses	Persons registered with the Authority under the DBROA15	RBSA00	Retirement Benefits Schemes Act 2000
EU	European Union	Rule Book	Financial Services Rule Book
FATF	Financial Action Task Force	SNPO	Specified Non-Profit Organisation
FIU	Financial Intelligence Unit	TOCFR	Terrorism and Other Financial Crime (Financial Restrictions) Act 2014
FSA08	Financial Services Act 2008	UK	United Kingdom
GIFCS	Group of International Finance Centre Supervisors		
GIICS	Group of International Insurance Centre Supervisors		