



STRATEGIC PLAN 2021-2024



ISLE OF MAN
FINANCIAL SERVICES AUTHORITY

Lught-Reill Shirveishyn Argidoil Ellan Vannin

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The photographic theme is Isle of Man bridges and stepping stones, to visually represent the need to continually move ahead.





INTRODUCTION FROM OUR CHAIR AND CHIEF EXECUTIVE

“In 2018, the Authority released its first strategic plan setting out the key areas of focus over the three to five years following that date. The launch of this plan was a milestone for the Authority and publically set out what was important to it to meet its mandate and the critical work needed to move forward as one integrated organisation.”

Since 2018 much has been accomplished. However, there remains more to do. Plans should be ambitious and ours was. The last year caused us to shift some of our attention to responding to the pandemic and, as a result, we experienced delays in progressing some of our initiatives. We must now refocus on our core priorities as we address the challenges presented as the world adapts to COVID-19. A look back on the performance against the 2018 strategic plan can be found in Appendix A.

This strategic plan is all about refocusing our efforts and mobilising our resources to continue to deliver on key plans and priorities. The passage of time since producing our first strategic plan has provided an opportunity to reflect on the long-term goals we set. In doing so we have made some refinements to better focus the work that we do and our plans to deliver on our future priorities. This plan therefore introduces a more streamlined and focused set of long-term goals, which continues to reflect the key concepts of those presented in 2018.

Some of the initiatives captured in this plan are continuing ones and will be familiar to our stakeholders. Future work around these initiatives will build on what has been achieved to date. Some new initiatives are introduced in this plan to reflect new or enhanced areas of focus or responsibilities given to us as part of the Isle of Man Government's own priorities, such as the Authority Funding Model.

The operating principles set out in our 2018 strategic plan remain central to how we deliver upon our programme and remain unchanged. These principles have been at times a source of discussion, debate and even challenge by industry, and remain integral in guiding the Authority in how it engages with its stakeholders. We look forward to continued engagement with all of our stakeholders over the time horizon of this plan and beyond.

Lillian Boyle, Chair

Bettina Roth, Chief Executive



ABOUT THE FINANCIAL SERVICES AUTHORITY

The primary function of the Authority is the regulation and supervision of the Island's financial services sector and the oversight of designated businesses for AML/CFT purposes.

The Authority is also responsible for a number of other functions, including the recognised auditor regime, company officer disqualification, and oversight of compliance with the Beneficial Ownership Act.

The regulatory objectives of the Authority 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.

A culture of engagement and transparency remains central to the delivery of the priorities set out in this strategic plan.



THE PLAN AHEAD

In reflecting on the six years since the creation of the Authority, our efforts and initiatives have become more focused and outcome based. The last year has been an exercise in re-prioritising what we do and has emphasised the need to be agile and responsive, and ensure that all that we do remains aligned to our statutory objectives.

In reviewing both our long-term goals and supporting strategic objectives it seemed the right time to merge these so that our efforts are more targeted and users of our strategic plan – our staff and other stakeholders – can clearly see the linkage between our long-term goals and strategic priorities.

In undertaking this work, we have been careful to ensure that nothing has been lost. The essential elements of both the 2018 strategic objectives and long-term goals remain intact, but have been refined through experience.

Figure 1, 'plan on a page' summarises our core principles and values, our long-term goals and the strategic priorities that we will implement to support these goals.

Isle of Man Financial Services Authority: Strategic Plan 2021-2024

Our Core Purpose

Why we do it

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

Our Core Values

How we conduct ourselves

Acting with Integrity. Respecting Others. Achieving Excellence

Our Key Principles

How we deliver and engage

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

We welcome **early dialogue** with the industry so that we understand emerging risks and also new opportunities: this helps us **consider** the potential impact and how best to address change.

Regulation and regulators are only effective if they are **understood**: our aim is **not to overcomplicate** matters.

We **intervene** at an **early** justified stage in issues to help prevent unacceptable risks crystallising.

We seek to **understand, collaborate** and follow a reasonable path of **remediation** to achieve the **right outcomes**.

Enforcement is pursued where **proportionate, reasonable** and **appropriate**, which may be in parallel with remediation.

Regulated entities are **responsible** for managing the risks within their business. Our job is to **design** and **advance** a regulatory framework that promotes **effective** controls, good risk management and suitable **disclosure**; this is how we contribute to the soundness of our industry.

Our Long Term Goals

How we will focus on the right things



Continue to review and enhance frameworks so that:

- users of financial services are appropriately protected and can make informed decisions; and
- financial crime is effectively deterred.



Ensure effectiveness of our regulatory, supervisory and enforcement approaches.



Work in partnership with stakeholders to embrace innovation within a dynamic, appropriately regulated, international financial sector.



Preserve our independence and build our resilience while remaining accountable and transparent.

Our Strategic Priorities

What we plan to do

1. Authority Funding Model

- 1.1 Move to a “predominantly industry funded model”
- 1.2 Continued engagement and consultation with industry
- 1.3 Enhancements in transparency

2. Supervisory Methodology

- 2.1 Implement updated approach to regulatory inspections; issue public guidance
- 2.2 Revised supervisory framework for assessing risk and impact
- 2.3 An updated and transparent supervisory engagement model

3. Data Management and Analytics

- 3.1 New data warehouse and analytical functions to be implemented
- 3.2 Enhanced digital offering for interaction between the Authority and regulated and registered entities
- 3.3 Replacement of legacy systems

4. Maintaining and Updating our Framework

- 4.1 Introduction of revised Retirement Benefit Scheme Legislation (enhanced regulatory framework for pension schemes and pension providers)
- 4.2 Introduction of a Financial Services (Amendments) Bill, amending existing Acts and to include the introduction of civil penalties against individuals

5. Crisis Management

- 5.1 Embedding the role of the Authority as “Resolution Authority”
- 5.2 Policyholder (insurance) Compensation Scheme review work
- 5.3 Deposit (banking) Compensation Scheme review work (in conjunction with Treasury)

6. AML/CFT

- 6.1 Defining (and implementing) the role and responsibilities of the new AML/CFT Division
- 6.2 Maintenance and review of guidance
- 6.3 Continued engagement with Government AML/CFT Policy

STRATEGIC PRIORITIES

Strategic Priorities

The Authority has identified six strategic priorities to support the delivery of its long-term goals:

1. Authority Funding Model
2. Supervisory Methodology
3. Data Management and Analytics
4. Maintaining and Updating our Framework
5. Crisis Management
6. Updated approach to AML/CFT

These strategic priorities do not include everything that we intend to do over the next three years, and are instead focused on a limited number of key deliverables.

What can our stakeholders expect to see delivered from each of these priorities?

1. Authority Funding Model

In his 2020 Budget speech, the Treasury Minister announced that the Authority should be working towards becoming predominantly funded by industry. Work to build on this commitment started in early 2020, with the launch of a discussion paper on the broader issue of the future funding of the Authority, and a more focused consultation on the funding for the coming two years (2021-22 and 2022-23). This is an ambitious undertaking for both the Authority and the Isle of Man Government and its success is rooted in working closely with industry to achieve a reasonable and measured outcome.

What this will look like to our stakeholders:

- Increased recovery of our operational costs from industry
- Enhanced transparency in how fees are calculated and how monies are expended

- Better achievement of a balance between fostering competitiveness and innovation and the broader goal of being predominantly industry funded

Activities over the next 18 months include:

- Active engagement through industry meetings and focused workshops to look at some of the major issues highlighted by industry in our initial consultation in 2020-21
- Using outside expertise and the views of an independent third party to build on the lessons of other jurisdictions and reflect the need for the Island to remain competitive and appropriately regulated
- Developing a new funding model for all sectors which incorporates our research and understanding of impacts
- Agreeing the implementation time frame for the new funding requirements

2. Supervisory Methodology

Clear and transparent frameworks continue to be a priority for the Authority. These frameworks will contribute to more effective and targeted supervision, and a better understanding by all stakeholders of what to expect from the Authority.

What this will look like to our stakeholders:

- Greater consistency of approach across regulated sectors
- Increased transparency around how we will supervise
- More certainty for firms on the expected engagement in any given year
- Additional published guidance and, through the use of technology, increased options for communicating with entities
- Improved protection for consumers through more risk-focused supervisory work

Activities over the next 18 months include:

- Publishing external guidance on what to expect on an inspection and a move towards ownership of action planning and follow-up by firms
- Preparing guidance around an engagement model focusing on risk and impact
- Strengthening internal guidance around key risk categories to focus the work of supervisors, guide the allocation of resources and inform our conversations with those that we supervise
- Enhancing quality assurance around our supervisory judgements to improve consistency and benefit from cross-industry knowledge

3. Data Management and Analytics

Work is continuing in order to put in place a single, comprehensive data system across the Authority and to more effectively use the data we receive from regulated firms and designated businesses. This will enable the Authority to better assess risks and apply our resources more effectively.

The development of our internal data system, Atlas, represents a significant first step in securing better management information to understand how we are allocating our time, recording outstanding matters, and informing management on the progression of work.

System development work cannot happen in isolation within the Authority and we remain dependent on centralised Isle of Man Government IT resources to achieve the next phases of the project. This work includes the development of a data warehouse and the introduction of an external portal to allow digital access by firms. These are modern tools for modern regulators and we are focused on delivering a suite of improvements in order to remain a jurisdiction of choice.

The Government's response to the COVID-19 pandemic understandably resulted in IT resources being diverted away from the Authority's projects to manage new and unforeseen priorities. We are now regrouping with our partners to see how we might achieve our next set of milestones within revised expectations.

What this will look like to our stakeholders:

- Ease of engagement with the Authority in providing information
- Improved operational effectiveness through the better use of data
- More focused data requests and use of same in determining our supervisory priorities
- Enhanced transparency of our activities and performance

Activities over the next 18 months include:

- Building our data warehouse capability to enhance the storage and analysis of the data at our disposal – driving more data-focused risk assessment
- Re-assessing how to deliver online portal capability, with our Government partners, to ease the filing of information with the Authority
- Developing and reporting on key metrics to demonstrate our performance
- Achieving cost efficiencies by replacing legacy systems, which are costly and increasingly less effective

4. Maintaining and Updating our Framework

The Authority's regulatory framework flows from the legislation which grants our powers and sets out our responsibilities. Regularly reviewing our frameworks is key to ensuring that regulation remains fit for purpose and is responsive to new risks and opportunities. A series of significant legislative reforms will be taking place in the upcoming strategic plan cycle which include:

- Introduction of revised Retired Benefits Scheme legislation, which will enhance the regulatory framework for pension schemes and pension providers, further strengthening the Island's position as a leading jurisdiction for pension-related business

- Introduction of a Financial Services (Amendments) Bill, which includes amendments to the Financial Services Act 2008, the Insurance Act 2008, the Collective Investment Schemes Act 2008 and the Designated Businesses (Registration and Oversight) Act 2015

What this will look like to our stakeholders:

- Retirement Benefits – new governance and conduct requirements, as well as prudential rules, for providers of services to pension schemes, supplementing the existing focus on individual pension schemes
- Retirement Benefits – increased availability of regulatory tools for use in respect of providers and certain role holders
- Retirement Benefits – improved protection for consumers with the introduction of the new requirements and enhanced accountability measures for these providers
- Financial Services – the ability to impose civil penalties on certain individuals
- Financial Services – change of onus regarding fitness and propriety assessments so that the regulated entity must satisfy the Authority that an individual is fit and proper, rather than the Authority establish they are not
- Financial Services – to prevent non-disclosure agreements from constraining employees and others from informing the Authority of matters relevant to the Authority's functions
- Financial Services – the ability to use modifications and exceptions in certain circumstances in relation to Corporate Governance Codes under the Insurance Act

Activities over the next 18 months include:

- Refining the draft Bills and entering the next phase of consultation and feedback
- Consideration of the legislation by Tynwald

5. Crisis Management

Being prepared is at the heart of our crisis management project. The past year has demonstrated the need to be ready to respond to adverse conditions and to take actions to ensure stability within the system.

What this will look like to our stakeholders:

- Improved regulated entity preparedness and resilience to financial risk
- Clarity around roles and responsibilities in a crisis
- Enhanced consumer protection through credible recovery and resolution planning

Activities planned over the next 18 months include:

- Working with Treasury to review and amend as necessary existing Depositors' Compensation Scheme protocols and policies
- Completing work on the Authority's internal crisis management guidance
- Continuing work on fully implementing the processes and procedures of the new Resolution and Crisis Management Division
- Completing review work and progressing any necessary actions in relation to the Policyholder Compensation Scheme

6. Updated Approach to AML/CFT

The Authority has been actively engaged in reducing financial crime and enhancing the reputation of the Island as a responsible international business centre. Central to this work has been the Authority's role in responding to the recommendations arising from MONEYVAL's 2016 review of the Island's regime. Working with its partners, the Authority undertook a number of work streams to enhance frameworks and processes to respond to these risks.

Looking ahead, we will continue to build on this work. As part of the 2020 budgeting process, the Authority was granted additional funding to add new AML resources to its team, starting with the recruitment of a new Head of AML/CFT. The centralised AML/CFT Division is still in its formative phase and the work plans will be refined in the year ahead.

What this will look like to our stakeholders:

- More principle-based AML/CFT guidance
- Increased use of data to focus our AML/CFT work
- Greater consistency of approach in AML/CFT supervisory activities and enforcement

Activities planned over the next 18 months include:

- Complete updates to AML/CFT guidance for remaining sectors supervised by the Authority
- Formalising the roles and responsibilities of a centralised AML/CFT Division and how it will work in partnership with other teams across the Authority
- Developing revised internal guidance for undertaking AML/CFT risk assessments of supervised entities
- Ensuring the Authority's risk assessment processes consider and rate the risks related to AML/CFT in a consistent way

How we will conduct ourselves

Everything we do as a regulator will continue to be guided by Our Core Purpose, Core Values, and Key Principles.

Our Core Purpose

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

Our Core Values

Acting with Integrity

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

Respecting Others

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

Achieving Excellence

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

- 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.

Review of performance

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

We will also keep our strategic plan under review to ensure that it best meets the needs of the Authority and its key stakeholders in light of emerging developments. We will continue to engage with key stakeholders to help inform us in this regard.

We are confident that the challenges we have set ourselves in this strategic plan will be met and that our proactive approach over the next three years will play an important part in ensuring we achieve our goals.

The risk environment and changing financial markets

Plans must be dynamic and the ability of the Authority to deliver its goals and priorities will be influenced by changes to the operating environment, including how industries, governments and society are impacted by COVID-19. Flexibility is essential to enable us to respond to these changes. Our 2020-21 annual report, which can be viewed in the publication section of our website at www.iomfsa.im, reflects on some of the key risks facing the Authority.

The Authority continually monitors changes to the financial services sector. We actively engage with local and international stakeholders to identify the risks presented by new financial service business models and technologies, as well as potential opportunities. The Authority is also committed to developing its strategy in relation to climate-related and environmental risks, including how we will integrate the risks and opportunities associated with climate change and the green agenda. This work will need to progress hand in hand with Government stakeholders and align to changing international standards and practices. Central to our response will be the priorities outlined in our strategic plan, including enhancing our own data management capabilities and ensuring that our frameworks and engagement pathways are responsive to innovation and the changing risk environment.



A summary of the risks and responses is reflected below





APPENDIX A

A look back at the 2018 strategic plan and the Authority's achievements against that plan

The publication of our first strategic plan in 2018 was a significant milestone for the Authority. It set out the key areas of focus and publically stated how we intended to meet our mandate. The plan also highlighted the critical work needed to move forward as one integrated organisation.

Four strategic objectives were identified by the Authority to guide its work over the life of the plan. Performance against the plan was reported on as part of our 2018, 2019 and 2020 annual reports and a summary of the accomplishments to date is provided below¹.

Strategic Objective One:

Enhance the framework to protect consumers and deter financial crime

We launched our Consumer Matters campaign as part of efforts to promote consumer awareness. Improved literature and website offerings helped to raise the standard of information available to consumers of financial services products. This complemented work to meet the increasing demand for transparency by consumers, and the changes in international standards, norms and requirements.

Our consumer focus was echoed in the Insurance Core Principles project where 'fair treatment of customers' was central to many of the initiatives.

Improved AML/CFT data has allowed the Authority to deepen its understanding and assessment of the risks, to target resources to respond to areas of higher risk, and to improve guidance.

Our key achievements:

- Better data and strengthened frameworks to enhance our AML/CFT assessment process:
 - Comprehensive data now filed annually by all regulated firms and designated businesses

- AML/CFT sector analysis undertaken across the majority of sectors and published on our website
- Updated AML/CFT Handbook and updated guidance across the majority of sectors supervised by the Authority, and additions to the Code
- Together with Isle of Man Government agencies, achievement of significant compliance against MONEYVAL recommendations
- Introduction of Conduct of Business requirements, enhanced corporate governance requirements and risk-based capital for insurers
- Consultation on changes to the Retirement Benefits Scheme Act and preparation of drafting instructions to enhance the regulatory framework for pension schemes and pension providers including improved accountability and governance

Strategic Objective Two:

Enhanced clarity around our regulatory, supervisory and enforcement processes

Updated regulatory and supervisory frameworks, supported by guidance and procedures, helped to improve understanding by stakeholders of the Authority's expectations and requirements. Clear language helped to facilitate constructive and open engagement with industry.

Our key achievements:

- Revising the supervisory methodology has enhanced clarity around the assessment of risk, including:
 - Supervisory model and engagement, focusing on risk and impact
 - Enhancement of processes around supervisory intervention and firm remediation, including the use of thematic reviews and third party resources
 - A common approach to undertaking inspections, bringing together different practices across supervisory functions
 - Use of better internal management information (Atlas) to track issues

- Publication of the Enforcement Decision Making Framework to clarify the processes that the Authority follows in an enforcement case
- Introduction of the Bank Recovery and Resolution Framework
- Working with industry to update the Life Policyholder Compensation Scheme through workshops and questionnaires

Whilst significant progress has been made under this strategic objective the strategic plan 2018-2021 envisaged that aspects of the Supervisory Methodology project would be further progressed than was actually achieved. This was primarily due to the reprioritisation of aspects of the Data Management and Analytics project, as well as our response to the COVID-19 pandemic, which included analysis of its impact on the financial services sector.

Strategic Objective Three:

Encourage innovation and continuous improvement in all that we do

Working with industry and other key stakeholders, we remain open to new approaches and the use of technology to support business. This approach incorporated a culture of constructive, open and transparent engagement with stakeholders. Flexibility and the need to manage risks to consumers and safeguard the reputation of the Island are complementary elements that framed this work.

Our key achievements:

- Strengthened partnership with both Digital and Finance Agencies of the Department for Enterprise on key innovation initiatives
- Approval of the first Class 1(2) banking licence
- Development of internal technology platforms, Atlas, and the better use of management information for reporting purposes
- Improved forms and processes for individual fitness and propriety assessments, including dedicated Regulatory Guidance on this topic
- Crowdfunding introduced as regulated activity to leverage technology opportunities for fundraising
- Increased engagement with stakeholders through introduction of a webinar series, industry meetings, workshops and industry survey
- Improved Enterprise Wide Risk Management processes, including the development of our [Enterprise Risk Tolerance Framework](#)

- A comprehensive roadmap and series of deliverables achieved against the insurance framework modernisation programme

The development of the new portal was delayed due to the necessary redeployment of Government IT resource to address key COVID-19 issues. We refocused resource to accelerate development in other areas, including on our data warehouse.

Strategic Objective Four:

Create an environment that enables staff to fulfil their potential

Recognising that our team is core to our success, our aim was to continue to develop our culture to allow our staff to thrive, develop and contribute to achieving our shared goals.

Our key achievements:

- Consistent job rating system
- Common set of terms and conditions
- Increased support of professional development opportunities
- Focused opportunities for leadership training
- Enhanced corporate governance and transparency measures

Further information and updates are available on the Authority's website at www.iomfsa.im



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