



INDUSTRY SURVEY

KEY FINDINGS

ISLE OF MAN
FINANCIAL
SERVICES
AUTHORITY

INTRODUCTION

The Isle of Man Financial Services Authority (the Authority) commissioned an Industry Survey to obtain feedback on their performance from the firms it regulates, supervises and oversees. All regulated entities and designated businesses in the Isle of Man were eligible to take part.

The Authority is an independent Statutory Board of the Isle of Man Government. The regulatory objectives are:

- securing an appropriate degree of protection for policyholders, members of retirement benefits schemes and the customers of persons carrying out a regulated activity;
- the reduction of financial crime; and
- the maintenance of confidence in the Island's financial services, insurance and pensions industries through effective regulation, thereby supporting the Island's economy and its development as an international financial centre.

The aim of the Industry Survey was to obtain up-to-date feedback and understanding from regulated entities and designated business on how they interpret and understand the Authority's activities, and the impact such activities may have on them. The previous industry survey was undertaken in 2018 and the published results are on the [Authority's website](#).

Island Global Research was commissioned to undertake the Industry Survey on behalf of the Authority. Island Global Research is an independent market research and consultancy company with a focus on the Crown Dependencies. Data collection took place between 31 January 2023 and 6 April 2023. The final report was submitted to the Authority 16 May 2023.



KEY FINDINGS:

OVERALL IMPRESSION OF THE AUTHORITY

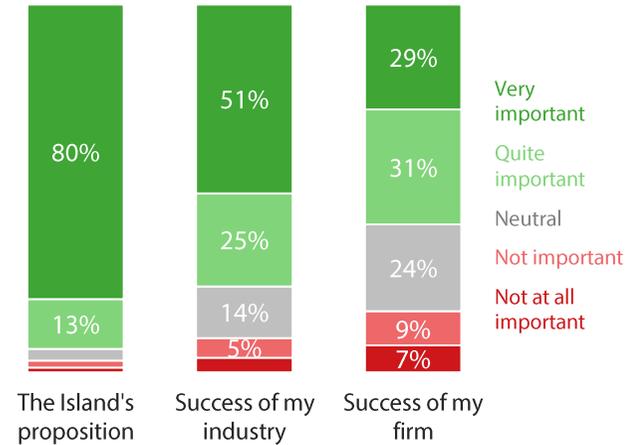
The results demonstrate the important role of the Authority in maintaining the Isle of Man's standing as a responsible international financial services centre.

- 94% of respondents said the role of the Authority is important (including very important) to the island's proposition as a responsible international financial services centre.
- In addition: 77% consider the Authority to be important to the success of the industry, and 60% said it is important to the success of their firm.

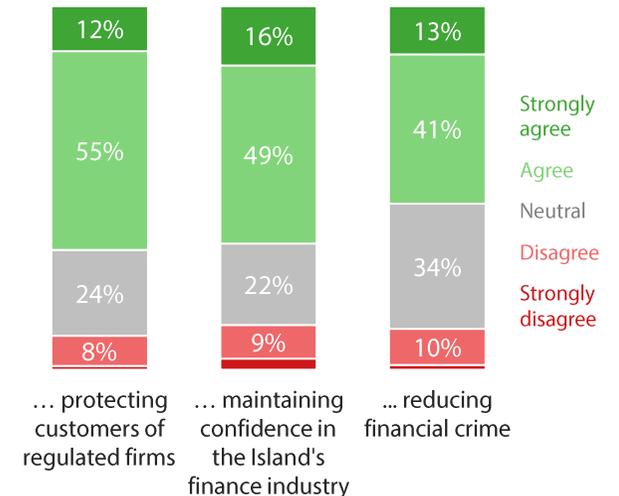
The majority of firms considered the Authority to be effective in achieving its regulatory objectives and fulfilling its responsibilities, though some results are less favourable than in 2018.

- 67% of respondents agreed (including strongly agreed) the Authority is effective in protecting customers of regulated firms, 65% agreed that it is effective in maintaining confidence in the island's finance industry through effective regulation, and 54% agreed that it is effective in reducing financial crime.
- More than 80% of respondents said the Authority was quite or very effective in the regulation and supervision of regulated firms (including collective investment schemes and retirement benefits schemes); and in monitoring compliance of firms with their regulatory obligations and with their AML/CFT obligations.
- Industry feedback shows a decline since 2018 in relation to: "Providing regulatory guidance and information"; "Maintaining and developing an appropriate and proportionate regulatory regime"; and "Participation in consultative bodies, working groups, and other arrangements". In addition, "Taking appropriate, timely and proportionate action" has the most scope for improvement.
- Qualitative feedback referred to an increase in the regulatory requirements, which was not always felt to be proportionate. There were comments relating to enforcement actions, which were viewed by some to have adversely impacted the island's reputation and the level of confidence within the industry. There were also comments about the supervisory approach and experience of on-site inspections. This included some who viewed the Authority's relationship with industry as less collaborative, more arms-length and potentially more stringent than it had been previously.

Overall, how important do you think the role of the Authority is to ...



The Authority is effective in ...



KEY FINDINGS: SUPERVISORY APPROACH

The majority of respondents considered the Authority's supervisory activities to be effective, and were positive about the Authority across a range of dimensions. 54% of firms considered the Authority to be very or quite effective, and a further 37% were neutral. Less than 10% said they were not effective or not at all effective.

71% of respondents had seen a change in the Authority's approach in the past 24 months. This includes 30% who said it was improved or much improved, and 46% said it was worse or much worse.

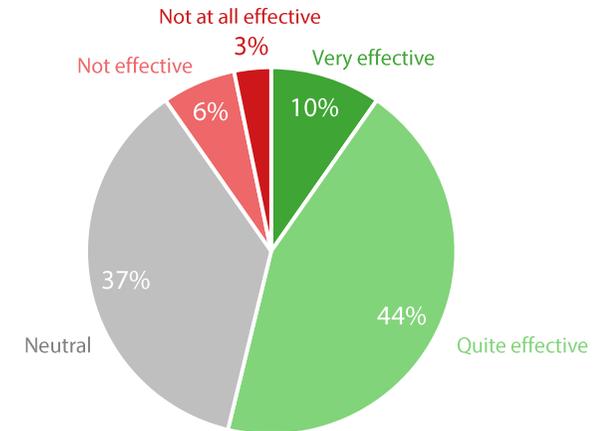
Industry feedback indicated the approach was notably worse in the following aspects:

- Takes actions proportionate to the risks involved*
- Has an early and productive dialogue with industry
- Seeks to understand, collaborate and follow a reasonable path of remediation
- Enforcement is pursued where proportionate, reasonable and appropriate.

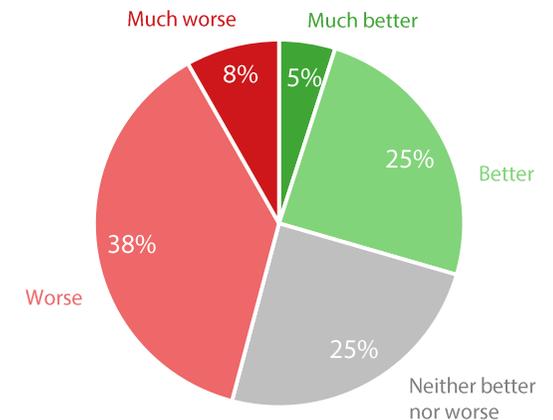
Feedback was provided on the range of supervisory activities. This was generally positive, though views were more mixed in relation to on-site inspections and on enforcement.

- Feedback relation to on-site inspections found more than a third of respondents disagreed or strongly disagreed with the following statements: "Communication on the findings of the on-site inspection is effective"; "The inspection reports have the appropriate level of detail" and "The inspection report is issued in a timely manner".
- Comments often focused inspections undertaken as part of a thematic review. In general, the thematic approach was welcome, but there was some dissatisfaction with elements of the process, including communication and engagement with the inspection team and perceived shortcomings with the timeliness and quality of reports.
- On enforcement, most respondents were very aware of the actions taken. Several noted the number of enforcement actions had increased, and some questioned the proportionality of the actions taken. Others comments about the impact on industry, including on the employment of compliance staff.

How effective do you think the supervisory activities of the Authority are?



71% of respondents said the supervisory approach had changed. If had observed a change, how has it changed?



KEY FINDINGS:

ENGAGEMENT WITH THE AUTHORITY

Feedback on the Funding of the Authority was asked about separately to other consultations.

- 61% of respondents had participated in the consultation on the Funding of the Authority. 52% of those who had participated in the consultation said the process was quite or very effective, 23% were neutral, while 24% said it was not effective or not at all effective.
- Negative feedback focused on the extent to which the Authority had taken into account the impact on industry, and the extent to which responses from industry were taken into consideration in the final draft.
- Written comments suggested many felt the outcome was a foregone conclusion. There were some who argued that there is inherent conflict in having the regulator funded by those it regulates. There were also those who were concerned that the increased fees reduces the competitiveness of the Isle of Man and may drive some businesses to other jurisdictions or discourage new business.

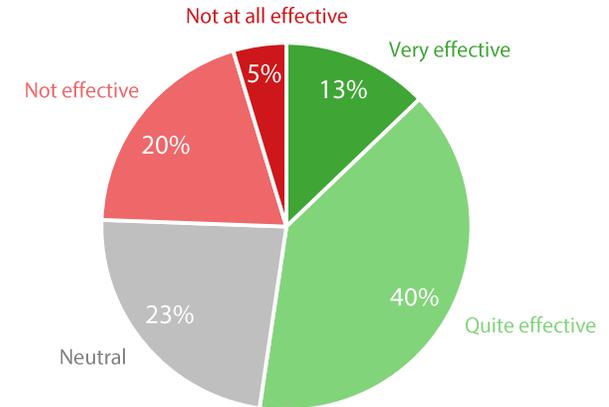
The majority of respondents were satisfied with their relationship with the Authority and rated their experience with staff as good or very good, though the results were less favourable than in 2018.

- 65% of respondents said they were satisfied or very satisfied with their firm's relationship with the Authority. Similarly, 65% of respondents said they would rate their experience with staff at the Authority as good or very good. The equivalent statistics in 2018 were 86% and 84% respectively.
- Comments suggest staff were viewed as professional and approachable, but there were concerns about reduction in relationship managers. There were also some respondents who commented that Authority's relationship with industry was less supportive than before.

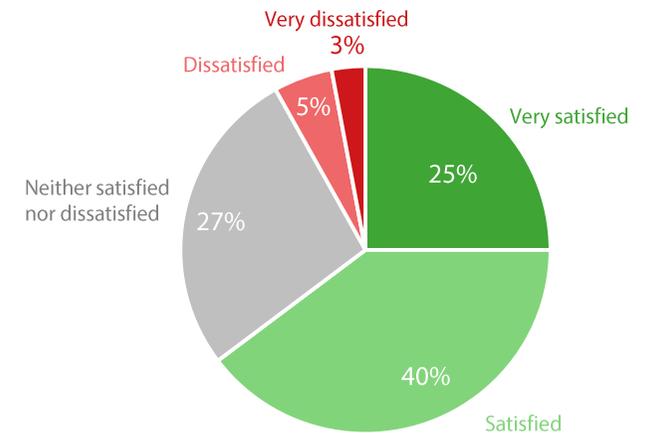
Feedback on events, publications, online updates and the website was generally positive. More than 80% said the FSA hosted webinars were useful or very useful.

More than half rated the guidance as good or very good in terms of "providing firms with a clear explanation of the Authority's expectations", and in issuing "timely updates responding to changes in market conditions or suggestions from industry". Feedback was mixed on "striking an appropriate balance between the regulatory objectives and reducing the burden of compliance", which is consistent with feedback provided elsewhere on the approach.

Overall how effective did you find the Authority's consultation process on the Funding of the Authority?



How satisfied are you with the overall relationship your firm has with the Authority?



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