ISLE OF MAN
FINANCIAL SERVICES AUTHORITY

Lught-Reill Shirveishyn Argidoil Ellan Vannin

SPEAKERS

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This morning's presentation by the Isle of Man Financial Services Authority will be delivered by:

Bettina Roth
Chief Executive Officer

Andrew Kniveton
Head of Policy & Risk

Ashley Whyte
Head of AML/CFT

Ros Lynch
Head of Supervisory Practices

Agenda

- **Overview** (Bettina Roth)
- **Legislation Update** (Andrew Kniveton)
- **AML/CFT Update** (Ashley Whyte)
- **Supervisory Methodology and Data Update** (Ros Lynch)
- **Q&A Session** (Ben Hughes)

Pensions sector

- Pensions industry remains at the forefront of the Authority's plans
- Closely monitoring developments in the UK following Budget
- Proposals to reform IOM pensions legislation continuing to take shape
- Plans in motion to reinvigorate work on Draft Bill

Strategic Plan

- Roadmap for the future, setting out the Authority's strategic priorities
- Theme of evolution, with focus on embedding changes
- Addressing projects that will add real purpose and value
- Flexibility to deal with fresh challenges where necessary

Future-proofing

- Embedding updated supervisory methodology and structure
- Resources focused on biggest threats to our regulatory objectives
- Data gathering and analysis at the heart of everything we do
- Working collaboratively to build compliance knowledge and capacity

Remediation and enforcement

- A credible threat of enforcement is an essential part of our make-up
- In most circumstances remediation is the preferred course of action
- Countering financial crime is a continual effort
- Important to work together to prepare for MONEYVAL evaluation

Legislation Update

Andrew Kniveton

Head of Policy & Risk

Background

- **2018 Discussion Paper:** Proposals to Enhance the Island's Regulatory Framework for Private Pensions and Their Providers.
- Responses **supported proposal** to amend the regulatory framework.
- Draft Bill prepared but subject to delays during COVID-19 pandemic and further delays subsequently. **Currently a work in progress**.

Current Framework

- **Scheme administrators** register under Retirement Benefits Schemes Act 2000.

- Controlled Function holders in scheme administrators subject to **Fitness & Propriety Assessments**.

- **Trustees of authorised schemes** submit annual scheme returns. This includes statistics on scheme membership and valuation of assets.

Retirement Benefits Schemes (Amendment) Bill

- Proposal to amend RBSA00 to bring **pension service providers** into scope of Financial Services Act 2008.
- New **Class (Pension Services)** of regulated activity under Regulated Activities Order.
- Introduce **conduct and prudential regulation** similar to other financial services, e.g. Rule Book.

Retirement Benefits Schemes (Amendment) Bill

- **Retirement benefits schemes** would continue to be regulated under RBSA00 (similar approach to regulation of collective investment schemes and scheme functionaries under CISA08 and FSA08).

- **Proposed updates** to regulation of schemes under RBSA00.

Funding Provisions

- Existing RBSA00 provisions on **defined benefit scheme funding** – not in operation.

- The Bill will seek to **repeal and replace** existing provisions to modernise.

- Draft proposals are **broadly equivalent** to those in Part 3 of the UK's Pensions Act 2004.

Risk-Based Approach

- Aim to take **risk-based approach** to scheme regulation.

- Draft Bill includes proposals that would provide **more flexibility** on content and frequency of scheme returns.

- Potential for **more focused** scheme returns.

Next Steps

1. Work with drafters to **get draft Bill ready** for consultation.

2. Engage with **industry and associations** (e.g. APSP) throughout consultation process.

3. Consider **industry feedback**, refine proposals and prepare final Bill.

4. Introduce Bill into **Tynwald**.

Next Steps

5. Subsequent **consultations on draft secondary legislation**.

6. Establish **timeframes** for implementation.

7. Engage with industry on **transition period**.

AML/CFT Update

Ashley Whyte
Head of AML/CFT
Supervision Division

AML/CFT Division

- Inspections and business meetings in accordance with AML/CFT Engagement Model
- AML/CFT Policy (including Beneficial Ownership)
- Roll-out of STRIX will help to develop a deeper understanding of risk
- New system is part of our focus on data management and analytics

What is coming in 2025/26?

- Risk based supervision – informed by data driven risk assessment

- Recent thematic projects:
  - CRA - Accountants
  - Sanctions screening – Various sectors
  - Estate Agents
  - Money Lenders

- Beneficial ownership supervision

- AML/CFT Legislation and Policy – revised framework

- AML/CFT Handbook & Pensions sector guidance – living documents

National Risk Assessment

- Cross Government initiative
- National Risk Assessment – Version 3
- Topical Risk Assessments
  - Proliferation Financing
  - Terrorist Financing
  - Legal Entities and Arrangements
- Sectoral Risk Assessments
  - Financial Institutions – inc. Pensions providers
  - DNFBPs & NPOs

Collaboration

- Close partnerships with industry bodies and Government agencies
- Work underway to collect data and information to inform updated NRA working with professional bodies
- Pensions sectoral NRA to commence March 2025
- Strong focus on data collection and analysis

Outreach programme

- Face to face events – twice a year with a targeted audience
- External newsletter “AML/CFT Focus”
- Topical webinars – CRA / BRA / PF
- Thematic reports
- Social media updates – AML Wednesday
- NRA Updates and Outreach

Mutual Evaluation – Next steps

- Work has begun to prepare for our next MONEYVAL evaluation
- When is it ??
- Cross Government cooperation
- Working with industry to prepare
- Next steps following an evaluation

How can industry help?

- Provide data requested through Strix
- Conduct your risk assessments – BRA / CRA / TRA and keep up to date with published NRA and supporting assessments
- Ensure the right procedures and controls are in place derived from findings of your BRA
- Engage with Outreach being provided
- Ensure compliance function is resourced and supported

Supervisory Methodology and Data Update

Ros Lynch
Head of Supervisory Practices and Innovation Strategy

Background

- Authority Strategic Plan – 2018-2021 & 2021-2024
  - Significant project that took multiple years, completed – April 2023

- Key components:
  - Use “Impact” as an overlay to determine the engagement model
  - Develop a risk universe to be applied to all regulated entities
  - Record and manage risk consistently
  - To facilitate supervisory planning and enable the Authority to have defined understanding of priorities.

- Aim:
  - Place risk at the centre of a supervisor’s mind
  - Addressing the most important risks posed by regulated entities to the Authority’s supervisory objectives.
  - Identify areas of emerging risk – supervisors intervene early and prevent risks from crystallising.

Impact or Risk Driven

Impact Assessment

High Impact

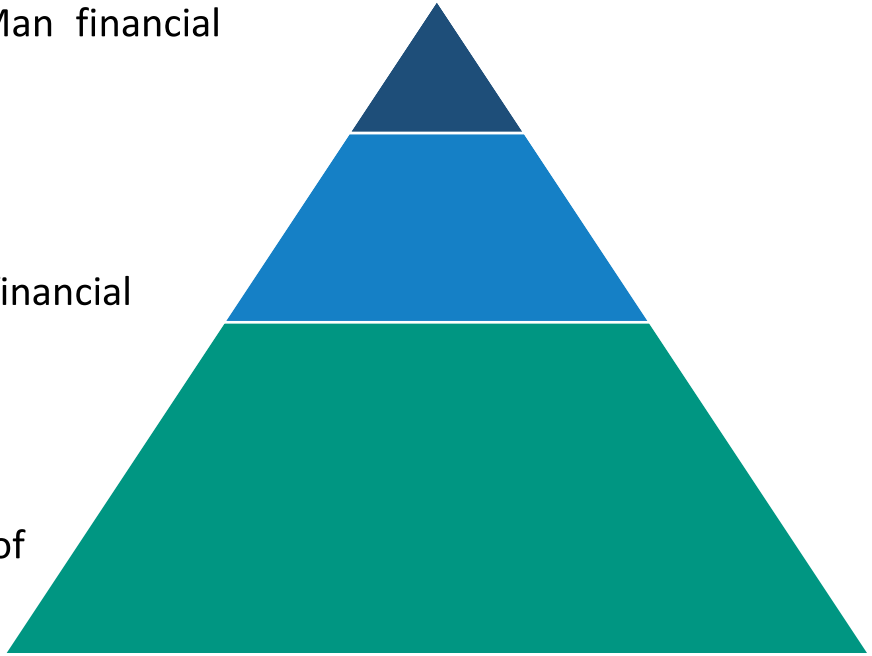
Individual capacity to cause **significant** disruption to the Isle of Man financial system and wider economy.

Medium Impact

Individual capacity to cause **moderate** disruption to the Isle of Man financial system and wider economy.

Low Impact

Individual capacity to cause **no, or only minor** disruption to the Isle of Man financial system and wider economy.



AML/CFT Risk Assessment

High Risk

There is an **imminent risk** of **significant harm or loss to consumers or ML/TF threat occurring** without critical and immediate corrective action being taken.

Medium High Risk

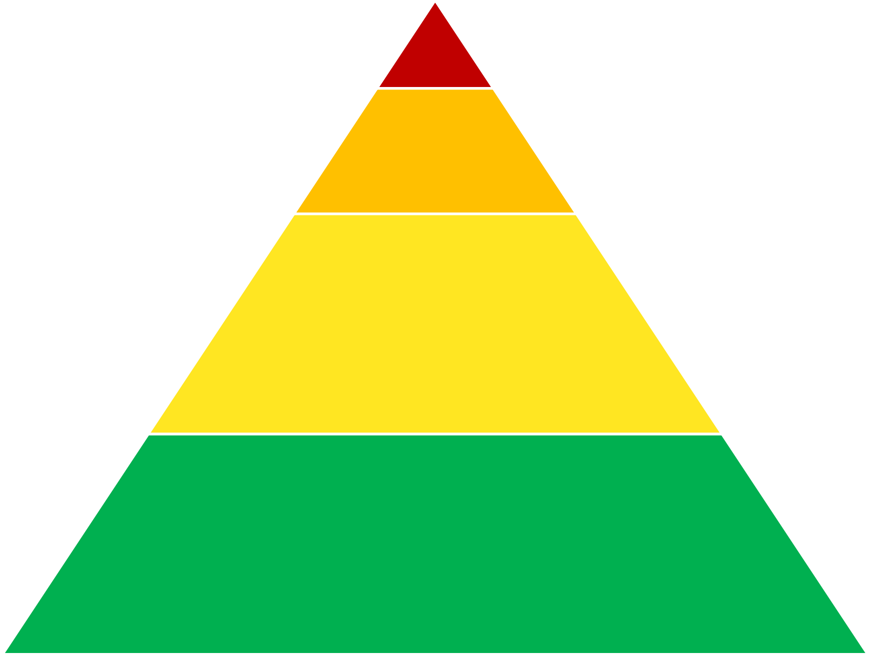
There is a **risk** of **significant harm or loss to consumers or ML/TF threat occurring** without corrective action being taken.

Medium Low Risk

There is a **low to moderate risk of significant harm or loss to consumers or ML/TF threat occurring.**

Low Risk

There is **minimal risk** of **significant harm or loss to consumers or ML/TF threat occurring.**



Embedding the Supervisory Methodology

- Significant focus for the supervisory divisions over the last 12 months

- High and Medium Impact Firm
  - Execution of the structure engagement model

- Low Impact Firms - Portfolio Supervision Division - to expand on later
  - 'One-to-Many' target risk drive supervision with use of thematic
  - Data focus is critical to enable us to meet our regulatory objectives and provide effective supervision

- AML/CFT Supervision
  - Refining the risk-based approach
  - Ensure resources and supervisory activities are concentrated on areas that pose a higher risk of ML/TF
  - Data focus through Strix
  - Increased programme of outreach

Continuously review and refine

Governance - The Supervisory Methodology Framework operates four types of Panels, all of which have a purpose of facilitating cross-divisional challenge and driving consistency of approach to supervision, supporting the Executive in satisfying itself that the Authority is exercising its judgements in a fair, proportionate and consistent manner.

- Enforcement Referral Panel
- Impact Panel
- Risk Review Panel
- Process Consistency Panel

2023 - Journey

New Statistical Returns

Date Warehouse & Data Automation

Supervisory Methodology Framework transition commenced 3 April 2023

Continuously review and refine

New Statistical Returns

- Returns include both common information across sectors and sector-specific data.
  - Financial Advisers – Launched January 2024
  - Trust and Corporate Service Providers – Launched January 2024
  - Investment Businesses and Fund Service Providers – Launched January 2024
  - Professional Schemes Administrators – initial workshop 2025
- Submit annually by 30 April, for the calendar year ending 31 December.
- Simplified the Annual Regulatory Return to remove duplication in January 2024.
- Further changes and updates are also underway, including a review of the PII confirmation form and the Clients' Assets Report.

Data Automation

- Strix – AML Risk Assessment Software designed for supervisors.
- Improves compliance with Financial Action Task Force (FATF) requirements by:
  - Automates risk assessment processes.
  - Streamlines data collection.
  - Offers flexible, sector-configurable risk assessment algorithms.
  - Enhances risk models for more effective and accurate risk identification

Data Automation

- Implemented Internal Analytics using data from Atlas our back-office system, new statistical returns within our data warehouse and Strix

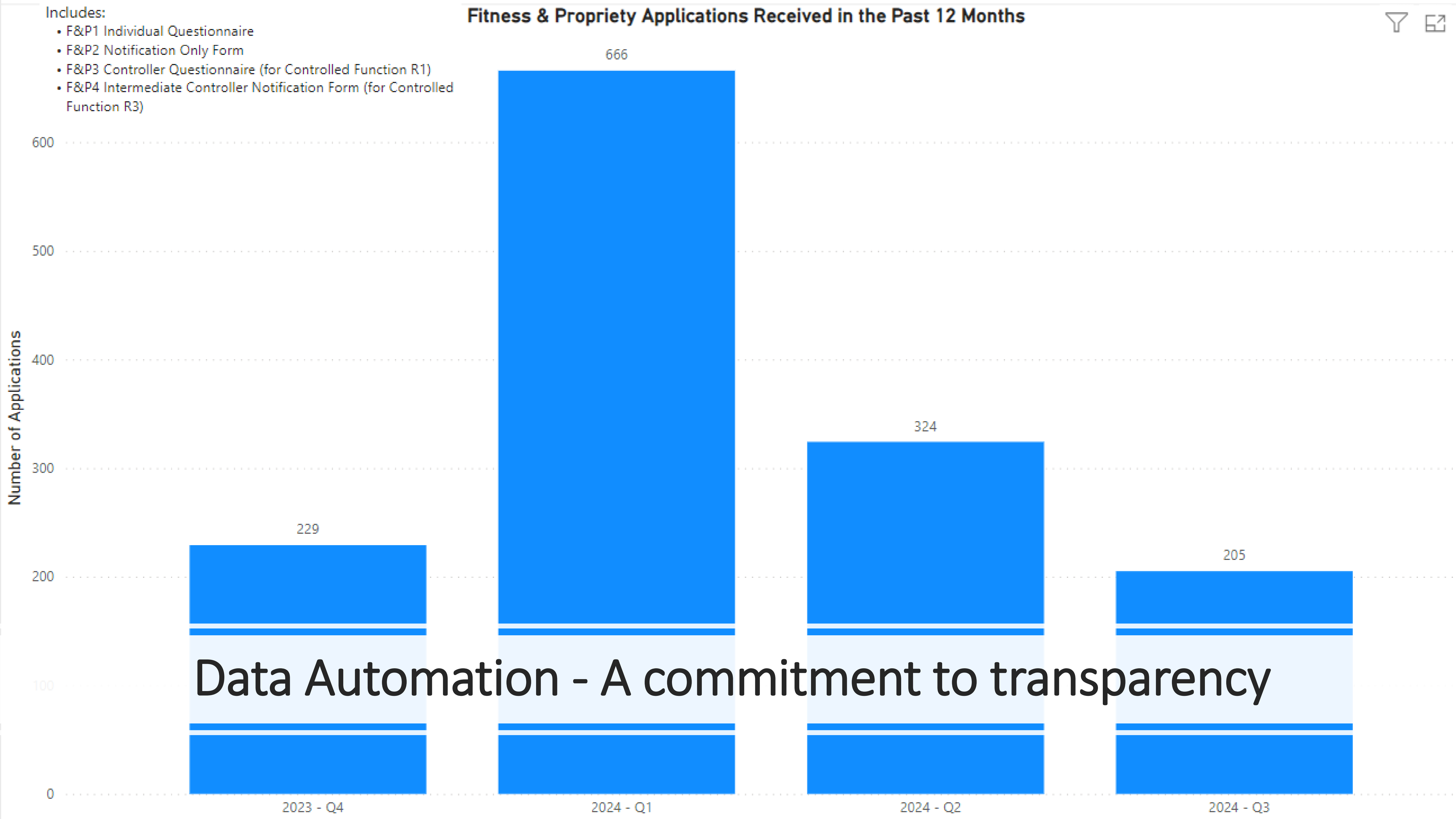
  - Power of this data is invaluable
  - Ask more focused questions of firms – targeted supervision
  - Automation of data collection enhances risk identification and trends analysis
  - Streamlined processes enables us to obtain accurate, timely information from firms
  - National Risk Assessment
  - Evidenced based data driven decision making

Data

Feedback from other jurisdictions that have recently been evaluated by MONEYVAL and industry highlights the focus on data – a jurisdiction needs to have granular and data that can be sliced and diced in multiple ways.

To prepare for this, we have several work streams:

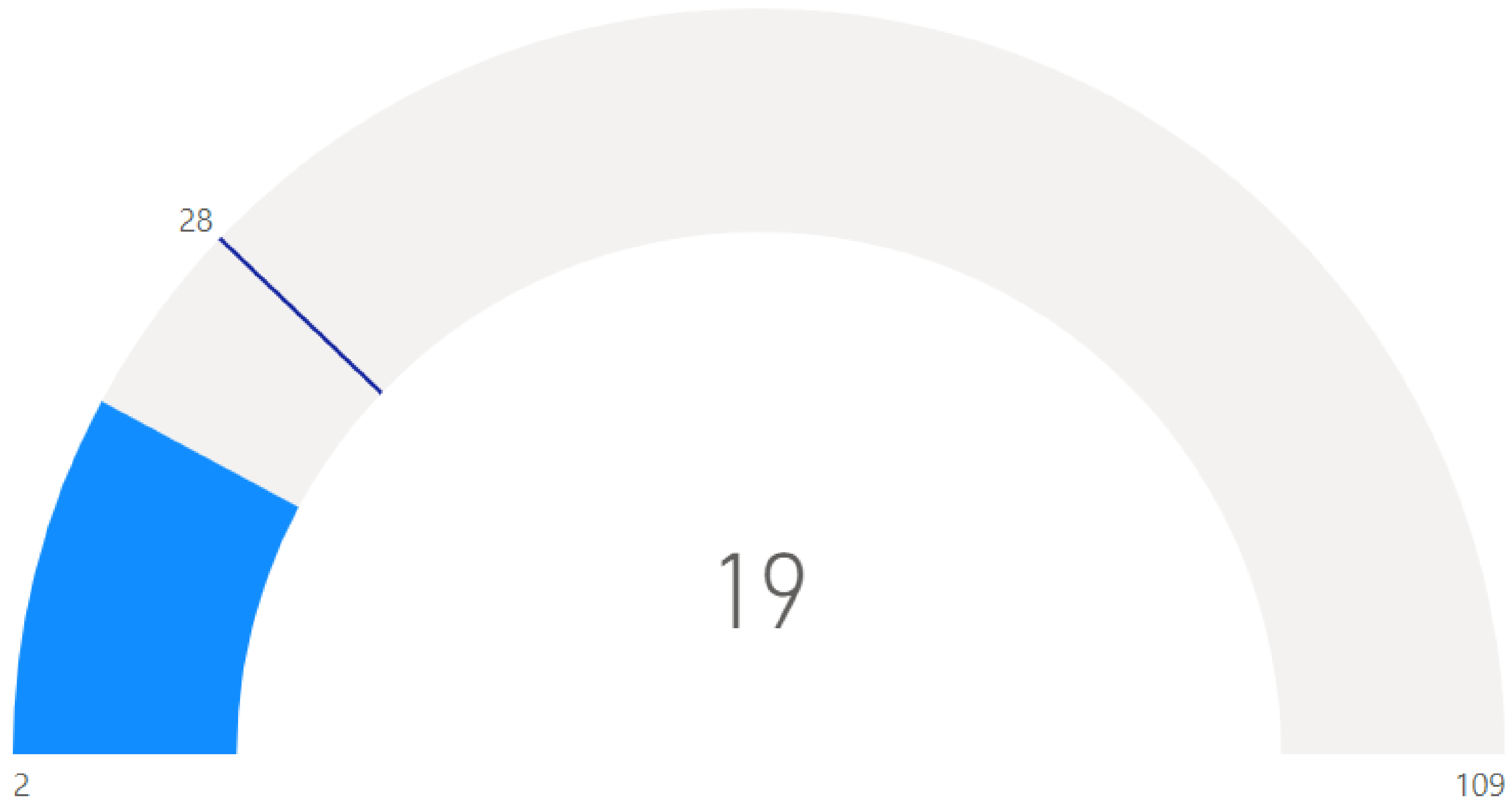
- Implementation of Strix (which is used by GSC and FSA)
- A dedicated statistics working group that includes all government agencies involved in the MONEYVAL preparation
- Periodic gathering of statistics in line with the World Bank template
- Building out a case library that can be drawn upon to showcase effectiveness
- Potential for additional ad-hoc requests



Data Automation - A commitment to transparency

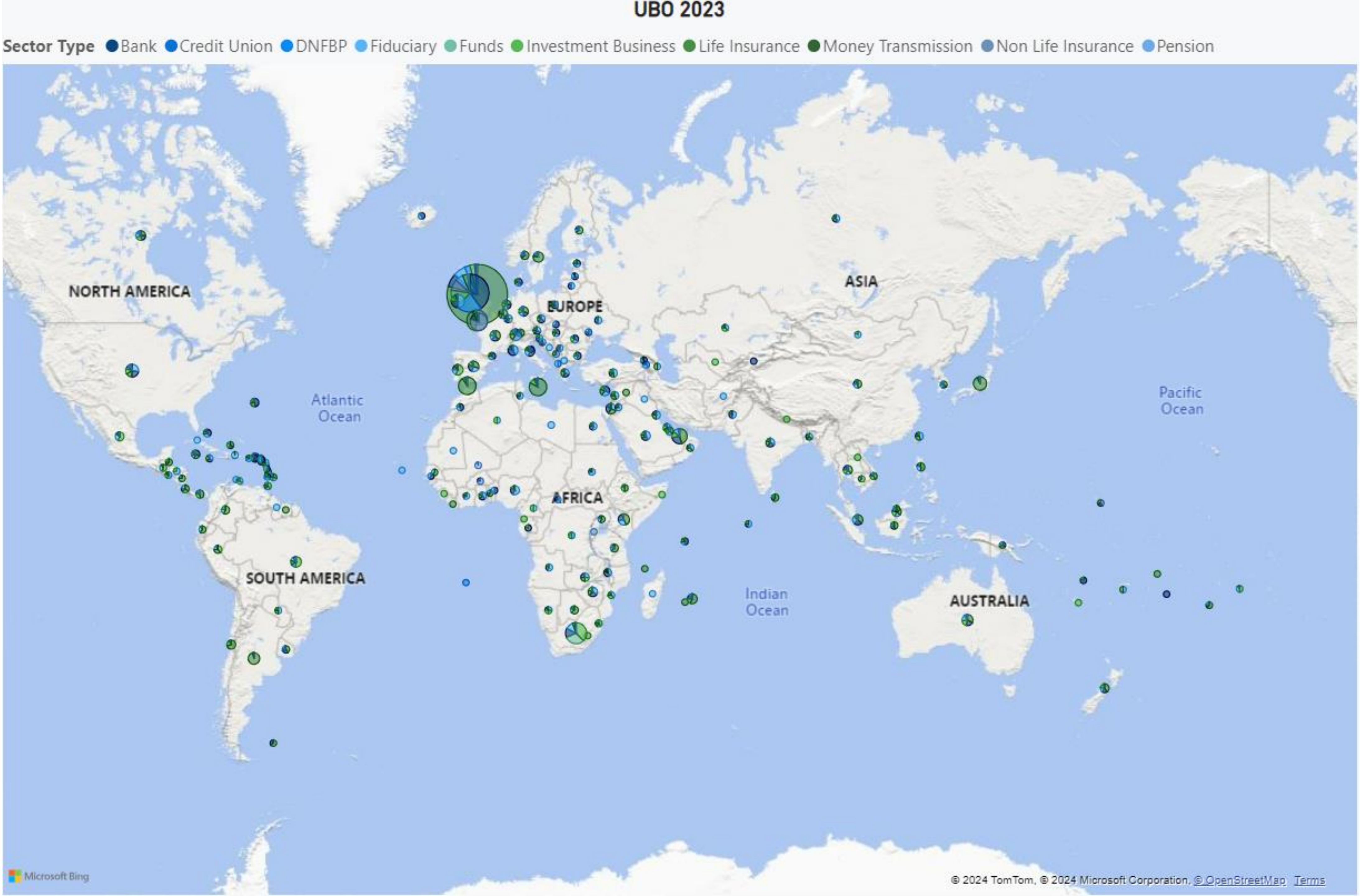
Performance v SLA for processing F&P1s 01/10/23 to 30/09/2024

Data Automation - A commitment to transparency



Natural Persons by Residency - 2023

Sector Type ● Bank ● Credit Union ● DNFBP ● Fiduciary ● Funds ● Investment Business ● Life Insurance ● Money Transmission ● Non Life Insurance ● Pension


UBO 2023
Sector Type
Bank
Credit Union
DNFBP
Fiduciary
Funds
Investment Business
Life Insurance
Money Transmission
Non Life Insurance
Pension
NORTH AMERICA
EUROPE
ASIA
AFRICA
SOUTH AMERICA
AUSTRALIA
Atlantic Ocean
Pacific Ocean
Indian Ocean
Microsoft Bing
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Q&A Session