



ISLE OF MAN
FINANCIAL SERVICES AUTHORITY

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ISLE OF MAN FINANCIAL SERVICES AUTHORITY

REGULATORY REGISTERS THEMATIC REPORT

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1 Glossary of Terms

<u>TERM</u>	<u>MEANING IN THIS REPORT</u>
Authority	Isle of Man Financial Services Authority
Board	Board of Directors (of the firm)
CMP	A Compliance Monitoring Programme is a structured framework designed to ensure that an organisation adheres to regulatory requirements and internal policies. It involves regular reviews, audits, and assessments to identify and address any compliance issues, ensuring ongoing adherence to the relevant standards with findings being reported to the necessary committees (where applicable) and the Board along with a remediation plan
Firm	Licenceholder, regulated entity, business
FSA	Isle of Man Financial Services Authority
FSA08	Financial Services Act 2008
ICO	Isle of Man Information Commissioner
Person	Includes any body of persons, corporate or unincorporate
Relevant Persons	In relation to a firm, means any of its officers, employees and tied agents and persons employed by them as defined in the Financial Services Authority Rule Book 2016
TCSP	Trust and Corporate Service Provider
The Rule Book	Financial Services Rule Book 2016



**This report
highlights
learning points
and areas of
best practice**

2 Background

2.1 Executive Summary

The Authority undertook a thematic project (“the Register thematic”) involving low impact firms and professional officers supervised by the Portfolio Supervision Division on the topic of regulatory register governance per the Isle of Man Financial Services Rule Book (the Rule Book).

Those firms that were selected are licensed under the Financial Services Act 2008 (“FSA08”); the information sought was therefore requested under Schedule 2, Inspection and Investigation, to the FSA08.

The Authority’s work is driven by its three main regulatory objectives:



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



The reduction of financial crime



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

Key in achieving these objectives is the Authority’s oversight and supervisory functions, which encompass undertaking supervisory inspections and thematic reviews. Thematic reviews are an important part of the Authority’s supervisory approach, offering an efficient and effective way to identify and inform our picture of risk at a firm and sector level.

The planning for the thematic project began at the beginning of 2024 and the background was shared in the public statement released on the Authority’s website in July 2024.

**Thematic reviews
are an important
part of our
approach**

The thematic exercise was made up of two core phases.

Phase 1 consisted of a questionnaire issued to 84 low impact firms (and professional officers) supervised by the Portfolio Supervision Division. This report outlines the results from this first phase, as well as the Authority’s observations on the data and includes some best practice points.

Phase 2, which commenced in October 2024, consisted of a desk-based thematic inspection of 20% (17) of firms that were selected for Phase 1 and focused on how firms meet the requirements of, and evidence compliance with, the following rules:

- **Conflicts of Interest:** Rule 8.10

(all classes except 8(1), 8(2)(b) or 8(3)) and Rule 9.21(5))

- **Complaints:** Rule 8.32 (all classes except Class 8(1), 8(2)(b) or 8(3)) and Rule 9.22)
- **Breaches:** Rule 8.17 (all classes)
- **Pricing errors:** Rule 8.60 (all class 3(1), 3(2), 3(3), 3(4), 3(11) or 3(12))

The primary inspection objective of the Registers thematic was to gather, assess and share information with industry regarding the measures firms have implemented in respect of their requirements for registers to be kept per the Rule Book, under Part 8 – Risk Management and Internal Control.

Phase 2 of the project concluded in April 2025, with an individual report issued to each firm inspected.

This report also outlines the results from Phase 2 of the Registers thematic, highlighting some learning points and areas of best practice.

A relevant person's regulatory registers are a key tool forming part of a robust compliance and risk management framework. Regulatory registers are key for:

- 1. Risk Management** - a vital role in identifying and managing risks. By systematically recording compliance requirements and monitoring adherence, the relevant person can proactively address potential issues before they escalate. This helps in mitigating risks and avoiding legal penalties or reputational damage.
- 2. Compliance Monitoring** - having detailed regulatory registers simplifies the compliance monitoring process. Additionally, and where applicable to the firm, these registers facilitate accurate and timely reporting to the Board, relevant committees (where the size of firm accommodates this), and relevant competent Authorities, demonstrating the relevant person's

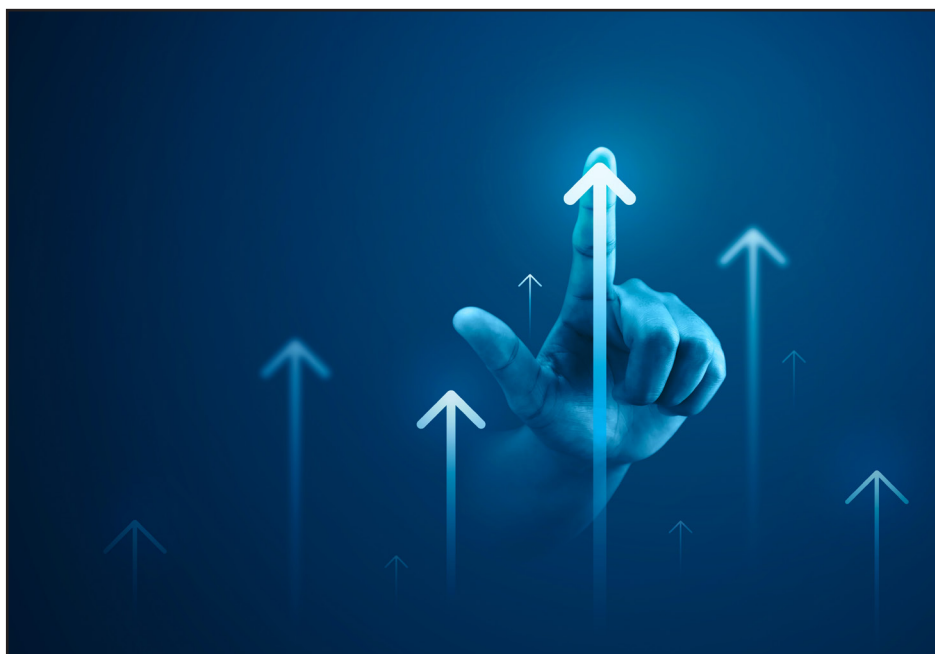
commitment to compliance.

- 3. Continuous Improvement** – certain regulatory registers for example breaches and complaints, support continuous improvement by providing an overview of compliance performance. Relevant persons can analyse trends, identify areas for improvement, and implement changes to enhance their compliance practices. This ongoing process can help in maintaining high standards and adapting to evolving regulatory landscapes.

- 4. Accountability and Transpar-**

ency - regulatory registers are indispensable for ensuring that a relevant person remains compliant with relevant laws and regulations. They enhance accountability, manage risks, streamline audits, support continuous improvement, and foster transparency, ultimately contributing to the relevant person's overall integrity and success.

We hope this report will give further clarity to relevant persons in meeting their regulatory compliance with the Rule Book requirements regarding regulatory registers.



A relevant person's regulatory registers are a key tool forming part of a robust compliance and risk management framework

Data Analysis and Phase 1 Selections

Prior to the Phase 1 Questionnaire being issued in August 2024, existing data held on all **low impact firms** regulated by Portfolio Supervision was analysed and considered. As at 1 July 2024, the Authority's public register had 120 firms under Portfolio Supervision.

To select Phase 1 firms, the Authority

did not include:

- 5 firms currently near surrender of their licences.
- 3 pension firms.
- 23 Class 2 firms, who were part of a separate Portfolio Thematic exercise.

- 1 firm pending the issue of their new licence, and
- 4 that were already undergoing other regulatory inspections at the same time.

This removed 36 firms leaving the **84 firms** that were selected to go on to form Phase 1 of the thematic project.

Data Analysis and Phase 2 Selections

Following a full review of the Phase 1 questionnaires, 20% of the Phase 1 firms were then selected to be included within **Phase 2** of the thematic, which was a desk-based review. Firms were required to submit the below information for review.

- Copy of each of the regulatory registers applicable to the firm under the above noted rules.
- Copies of the underlying policies and or procedures governing these regulatory registers and their oversight.
- Copies of any compliance monitoring plans and or reports covering the above-mentioned regulatory registers, to include any findings and remediation work carried out and or planned.
- Where applicable to the licence holder, evidence of board approval of the relevant policies governing the applicable regulatory registers for the firm.
- Where applicable, copies of any template responses for complaints.

3 Regulatory Registers Questionnaire - Results, Keys Findings and Observations

The Phase 1 Regulatory Registers Thematic Questionnaire was made up of four main sections.

Conflicts of Interest

- Conflicts of Interest Policy
- Conflicts of Interest Procedures
- Conflicts of Interest Register
 - Controls
 - Staff Training

Complaints

- Complaints Policy
- Complaints Procedure
- Complaints Register
 - Controls
 - Staff Training

Breaches

- Breaches Policy
- Breaches Procedure
- Breaches Register
 - Controls
 - Staff Training

Pricing Errors

- Pricing Errors Policy
- Pricing Errors Procedure
- Pricing Errors Register
 - Controls
 - Staff Training

The following section of this report goes through key questions included within the questionnaire, highlighting the results from these, together with **findings** and the Authority’s **best practice** points and Rule Book requirements identified in phases 1 and 2.

*It should be noted that some questions were not applicable to all firms either due to the class of license held or by virtue of being a professional officer. In these instances, the respondents have responded no or n/a.

1A Conflicts of Interest Policy

Question 1A.1

Is a documented conflicts of interest policy in place?

83 of the 84 firms confirmed that they had a Conflicts of Interest Policy in line with Rule 8.9(1)

A firm must establish, implement and maintain an effective conflicts of interest policy which must be —

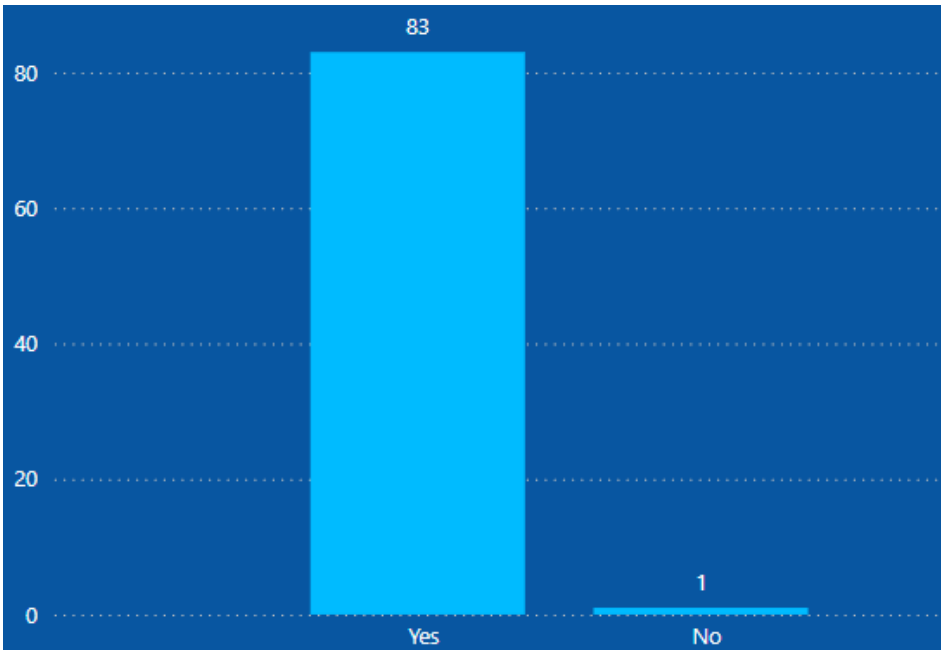
- (a) in writing; and
- (b) appropriate to its size and organisation and the nature, scale and complexity of its business.

The respondent who confirmed that they did not hold a policy was not required to do so due to the class of licence held.

During **Phase 2**, following a review of the conflicts of interest policies submitted it was identified that in 12% of cases policies lacked sufficient detail as to the specific activities and circumstances which may give risk to a conflict of interest, and 18% did not sufficiently detail the measures and controls adopted to mitigate conflicts arising within the firm.

Key components of an effective conflicts of interest policy include:

- 1. **Purpose and Scope** – outlines the policies objectives, emphasising the importance of preventing conflicts from influencing decisions and specifies who the



policy applies to for example the Board and employees.

- 2. **Definitions** – clear definitions to help employees understand what constitutes a conflict and potential conflict and when to disclose.
- 3. **Types of conflicts** – this is not aimed to be an exhaustive list but more examples that fit the firm and their business. Can include financial, gifts and benefits, other employment/multiple hats/affiliations, and personal relationships (both internally and with clients).

If the firm does not have a separate

procedure for conflicts of interest, the Policy can also include:

- 4. **Disclosure requirements** – the process for disclosing potential and actual conflicts, when, and to whom.
- 5. **Review and Determination** – how disclosures are reviewed and assessed and the steps to evaluate them.
- 6. **Managing conflicts** – measures, once identified, that can be taken to manage the conflict.
- 7. **Training and Awareness** – essential to educate employees and directors on the importance of managing conflicts which fosters transparency and integrity.
- 8. **Monitoring and Enforcement** – mechanisms for monitoring compliance with the rules.
- 9. **Continuous Improvement** – the policy should be reviewed and updated regularly with evidence of this having been done and by whom to ensure it remains relevant in addressing evolving conflicts. Helps to adapt to a changing regulatory landscape.



Question 1A.2

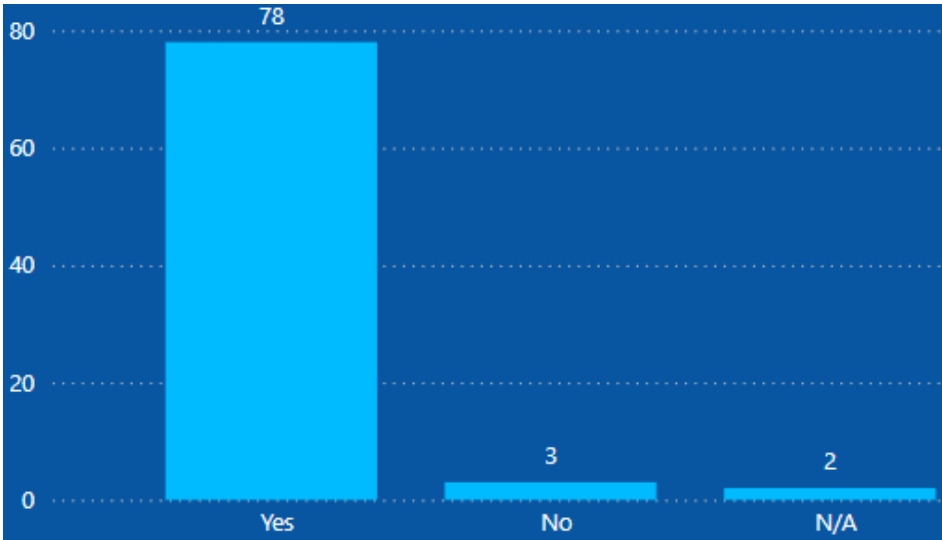
Do the Board review and approve the conflicts of interest policy?

78 of the 83 firms who answered 'yes' to Question 1A.1, confirmed that the policy was subject to Board review and approval.

Where firms have adopted group policies, the Authority would expect these to be reviewed and, where required, enhanced before being approved by the firm to ensure that they meet the Isle of Man regulatory requirements and are tailored appropriately to the firm.

Relevant persons should review their policy to ensure that they meet the requirements of 8.9(4):-

- (4) The policy must —
- (a) identify, with reference to the specific activities of the firm, the circumstances which constitute or may give rise to a conflict of interest



- entailing a material risk of damage to the interests of one or more of its clients; and
- (b) specify procedures to be followed and measures to be adopted in order to manage such conflicts.

Regular board reviews of the conflicts of interest policy are key for maintaining compliance, promoting an ethical culture, mitigating risks, enhancing decision-making, building stakeholder trust, and ensuring effective governance.

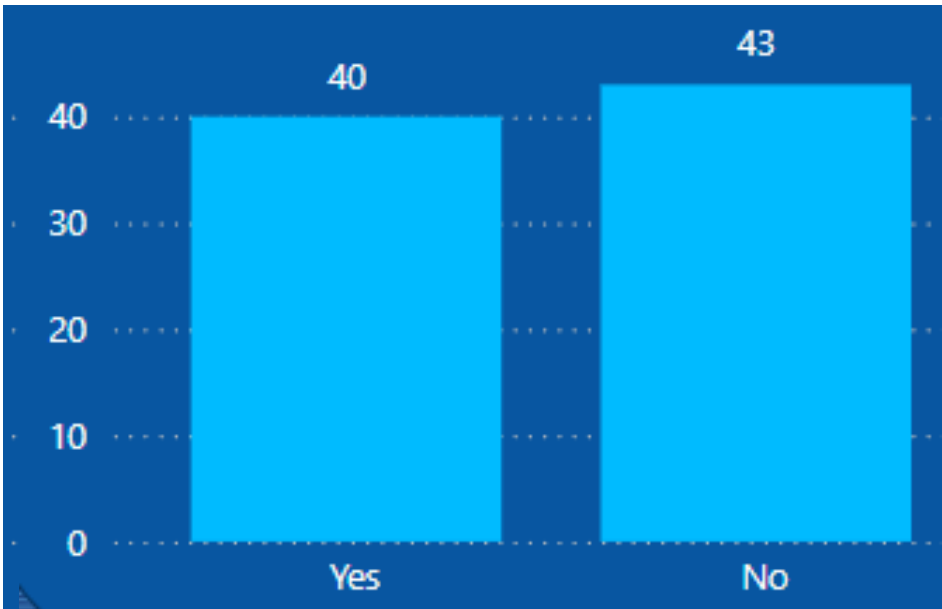
Question 1A.4

Is there an obligation for staff to annually attest on changes to their conflicts?

Nearly half of all firms (40 out of 83) confirmed that they required staff to annually attest on changes to their conflicts.

Implementing annual attestations for all staff regarding conflicts of interest is encouraged as a best practice to ensure ongoing compliance and transparency within your organisation. Conflicts of interest management is a cornerstone of good corporate and compliance governance and critically facilitates:

1. **Identification and Disclosure** - effective management begins with identifying potential conflicts of interest. This involves recognising situations where personal interests or employees with multiple controlled func-



tions roles that cross both the firm and its client entities ('multiple hat holders') might clash with professional duties. Once identified, these conflicts must be disclosed transparently to ensure

- that all relevant stakeholders are aware of them.
2. **Clear Policies and Procedures** - Firms need robust policies and procedures to manage conflicts

of interest. These policies should define what constitutes a conflict, including a potential conflict, provide examples (not an exhaustive list), and outline steps for disclosure and resolution. Clear guidelines help employees and directors understand their responsibilities and act ethically.

3. **Mitigation Strategies** - Mitigation involves taking steps to minimise the impact of conflicts. This can include recusing oneself from decision-making processes where a conflict exists or imple-

Percentage of firms reviewed within Phase 2 that provided a conflict of interest notification/declaration form, which the Authority considers good practice.

12%

menting checks and balances to ensure decisions are made objectively

4. **Training and Awareness** -

Regular training and awareness programs are essential to educate employees and directors about the importance of managing conflicts of interest and how to recognise and handle them. This fosters a culture of integrity and transparency within the organisation.

5. **Attestations** - typically involve staff members confirming that they have reviewed the conflicts of interest policy and disclosed any potential conflicts. We acknowledge this may not apply to certain firms.

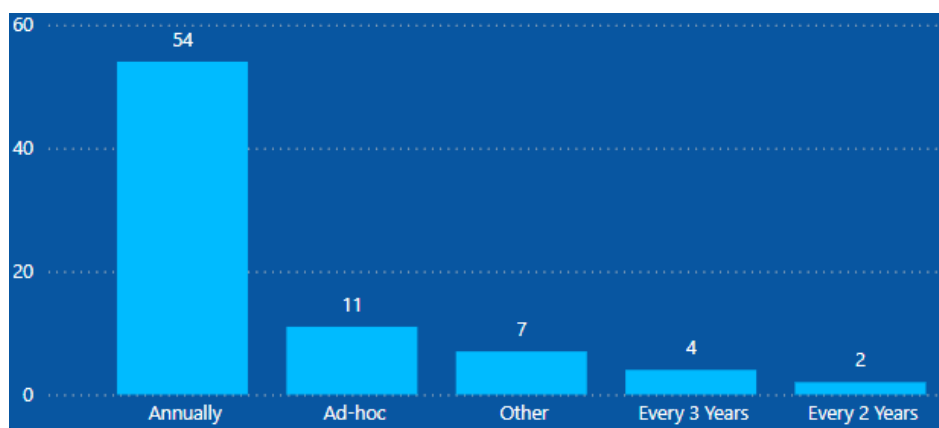
Question 1A.5

Frequency of conflicts of interest policy Board review

54 of the firms who answered 'yes' to 1A.2 confirmed that their Conflicts of Interest Policy is subject to an annual Board review.

It is recommended to review your **conflicts of interest policy** at least **annually**.

1. This ensures that the policy remains **effective, relevant** and **compliant** with any evolving regulatory requirements and stakeholder expectations.
2. Regular reviews help **identify** and **address** any **emerging issues** or changes in the organisation's structure or operations that might affect conflict management.



Rule 8.6 Risk Management (All Classes except Class 8(1), 8(2)(b) or 8(3)) states:

(1) A firm must by its responsible officers —

(a) establish and maintain comprehensive policies, appropriate to the nature and scale of its business and, where appropriate, its position in the group, for managing the risks specified in paragraph (2); and

(b) review those policies annually and evidence that review.

Regular reviews of your conflicts of interest policy help identify and address any emerging issues or changes in the organisation's structure or operations that might affect conflict management

1B Conflicts of Interest Procedure

Question 1B.1

Is a documented conflicts of interest procedure in place?

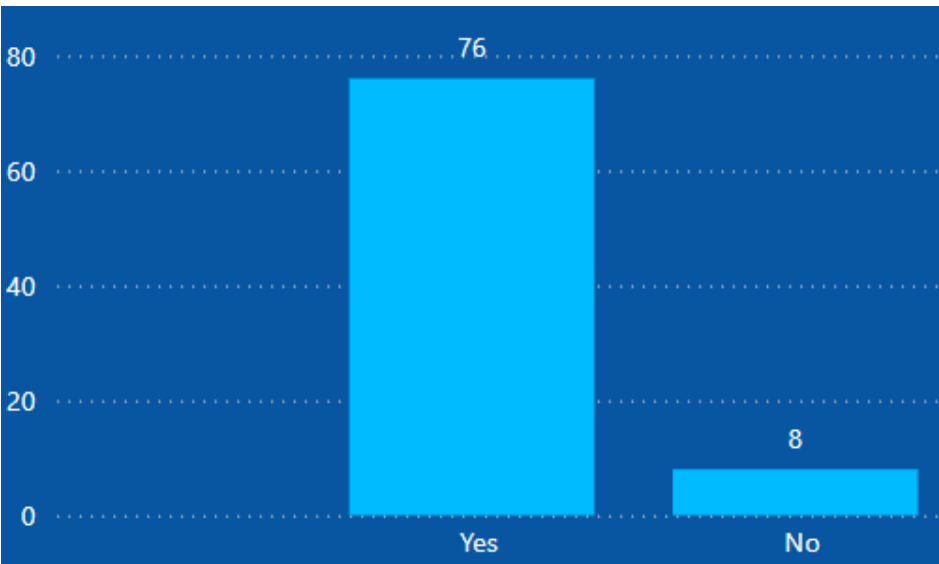
76 of the 84 firms confirmed that in addition to the Conflicts of Interest policy they also had a Conflicts of Interest Procedure in place.

The Authority considers it good practice for firms to maintain a separate Conflicts of Interest procedure however, noting that in some cases this information is contained within the policy, which is deemed acceptable as it is dependent on the size and complexity of the firm.

While the policy outlines the principles and expectations regarding conflicts of interest, the procedure provides detailed steps on how to identify, manage, and mitigate these conflicts in practice. We have detailed some of these above in section 1A.1.

Key components of an effective conflicts of interest procedure to support and flow from the Policy can include:

1. Identification: Clear guidelines on how to recognise potential conflicts of interest.



2. Disclosure: Steps for staff to disclose any conflicts of interest promptly.

3. Review and Assessment: Criteria for evaluating the significance of disclosed conflicts.

4. Management and Mitigation: Strategies for managing and mitigating conflicts, such as recusal from decision-making processes, divestment, third part review.

5. Documentation and Record Keeping: Thorough documented for transparency and record for

the future.

6. Monitoring and Review: Regular monitoring of disclosed conflicts and periodic reviews of the procedure to ensure its effectiveness.

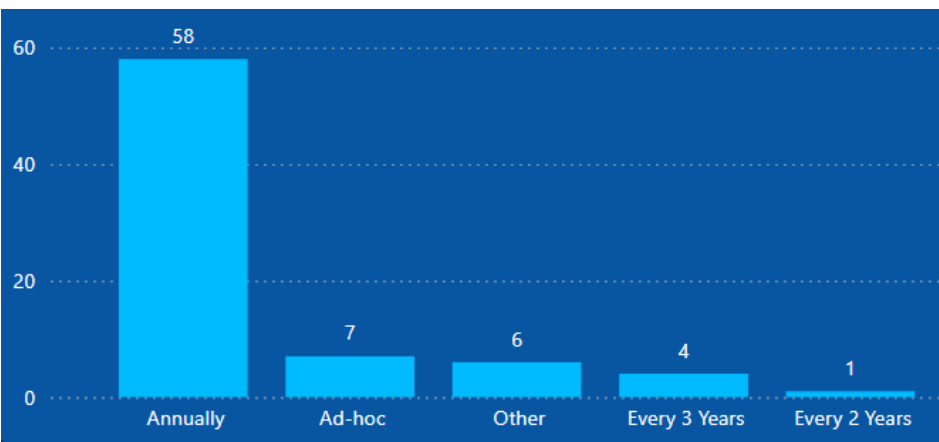
Having both a policy and a procedure ensures comprehensive management of conflicts of interest, promoting transparency and integrity within the organisation, however the Authority also acknowledges this should be commensurate to the size and complexity of the firm.

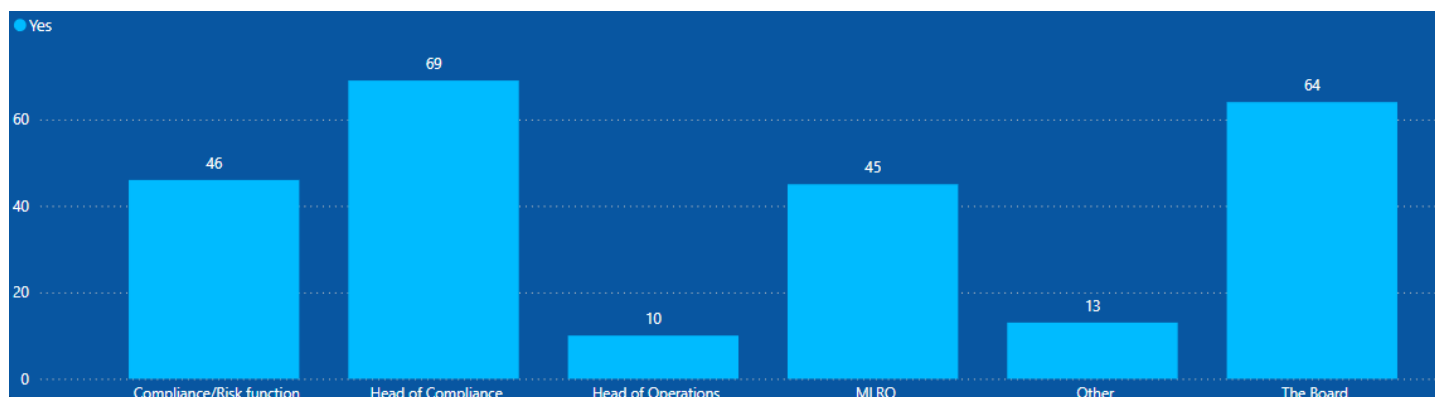
Question 1B.3

Frequency of review of the conflicts of interest procedure.

Where there was a procedure in place, 58 of the 76 firms who answered 'yes' to 1B.1 confirmed that their Conflicts of Interest procedure was reviewed annually.

The Authority considers it good practice for firms to review procedures on at least an annual basis to ensure that procedure remains effective and aligned with current regulatory requirements, best practices and the firm's relevant policies.





Questions 1B.4

Who reviews the conflicts of interest procedure?

It was confirmed that in over 75% of cases the procedure was reviewed by both a member of the Compliance function and the Board.

Best practice is for a combination of key stakeholders to review the procedure to ensure comprehensive oversight and effectiveness. Depending on the size and scale of the firm, these may include:

- **Compliance Officer:** Compliance are responsible for ensuring that

the procedure meets all legal and regulatory standards and is effectively implemented.

- **Senior Management:** Involvement of senior management ensures that the procedure is practical and aligns with the organisation's operational needs.

1C Conflicts of Interest Register

Question 1C.1

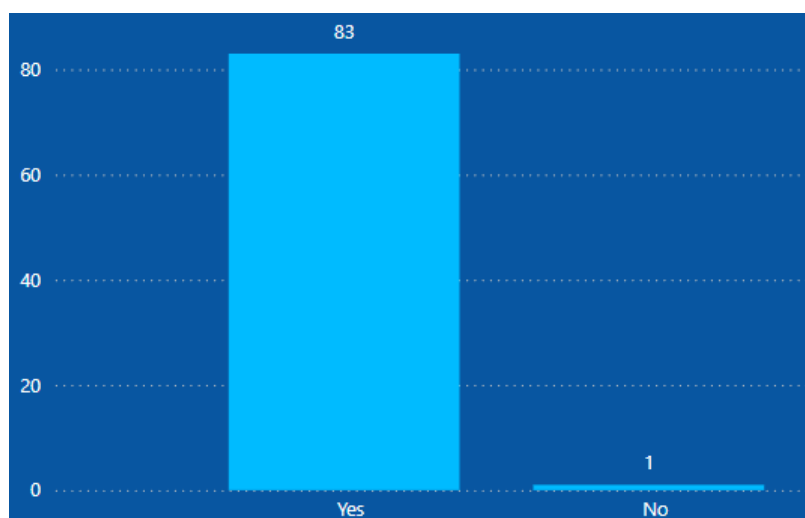
Is a conflicts of interest register in place.

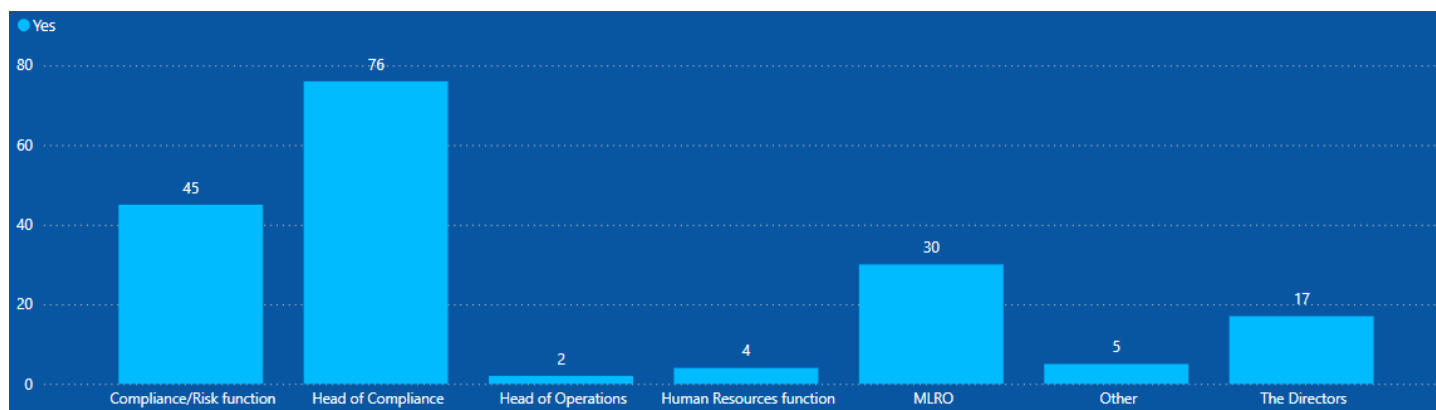
83 of the 84 firms confirmed that they had a Conflicts of Interest Register in line with Rule 8.10 (1) this included 2 professional officers who are also required to have a policy in place.

Rule 8.10 (All Classes except Class 8(1), 8(2)(b) or 8(3)):

(1) A firm must maintain a register of conflicts of interest.

The respondent who confirmed that they did not hold a policy was not required to do so due to the class of licence held.





Question 1C.2

Who maintains the conflicts of interest register?

Compliance/Risk function.....	45
Head of Compliance.....	76
Head of Operations.....	2
Human Resources function.....	4
MLRO.....	30
Other.....	5
The Directors.....	17

During **Phase 2**, it was identified that:

- 12% of registers reviewed had not been updated to reflect when a conflict ceased. Licence holders are reminded of the requirement of rule 8.10(2)(vii) – The register must contain ‘if the conflict has ceased, the date when it ceased and the grounds for considering that it has ceased.’
- 53% of registers reviewed did not contain details of all conflicts, particularly where individuals of the firm who are multiple hat holders

A conflict of interest in its pure definition is a situation in which a company director has an interest, either direct or indirect, that conflicts, or may conflict, with those of the company. It is a very broad duty and covers actual and potential situations.

The core corporate conflicts include but are not necessarily limited to:

- using a company’s resources for personal gain.
- engaging in business activities that do or may compete with the company; and
- making decision that benefit related parties at the expense of the company’s interests.

The Authority acknowledges and understands that certain firms for examples TCSPs, by the very nature of their business have employees, including their own directors in the post of directors on client companies and/or acting as trustees for client trusts. We also understand that the smaller the firm, the more ‘hats’ i.e. controlled functions, an employee may have to wear. The topic of multiple hat holding was discussed in some detail in our Autumn 2024 presentations.

Per the Authority’s guidance - Trust & Corporate Service Providers Sector Specific AML/CFT Guidance Notes March 2022 - it states under 3.3.2 that it is understood that TCSPs due to size may have such conflicts arising, but it expects firms to manage and mitigate the risks accordingly.

Therefore, the conflicts of interest register forms part of the controls, alongside the relevant policies and or procedures to form part of the firm’s Management control (Rule 8.3) and Risk Management (Rule 8.6).

A director is responsible for the day-to-day management of a company and is expected to make strategic and operational decisions for the company and to continuously manage its activities, as well act in the best interests of the company in a way they consider would be most likely to benefit the company.



There is a duty to avoid any conflict between the director’s duties to the company and the director’s other interests such as being a director and or Trustee on a client entity. This includes actual and potential conflicts as well as direct and indirect interests.

To illustrate, an example is where the firm has an employee who is a shareholder, an executive director and a chief executive/Managing Director who through the nature of their roles’ access to board reporting, has purview of (sensitive) information about both the firm and the clients. Where clashes such as fee decisions, charges, client retention and potentially those around more serious

matters are discussed and actions agreed, it is not unreasonable to therefore conclude that impartiality could be affected.

Under such circumstances the Authority acknowledges that there are other directors that can step in to review information and make such decisions, and that is a mitigation to the potential conflict.

The directors in each board meeting should also declare any conflicts so that such instances cannot arise, which is a further mitigation. The Authority do not consider it to be sufficient to purely note conflicts that have already taken place as that is not in the spirit of risk management,

a risk-based approach or protecting the business from potential or actual harm.

A breaches register records matters that have happened after the fact; a conflicts register records them to identify potential and actual risk and acts as the evidence of how the firm has prevented issues occurring.

Licence holders should review the register regularly to ensure it is complete and kept up to date and are also minded that the Conflicts of Interest register is a living document that flows year to year. The Authority would not expect a new register to be produced every year.

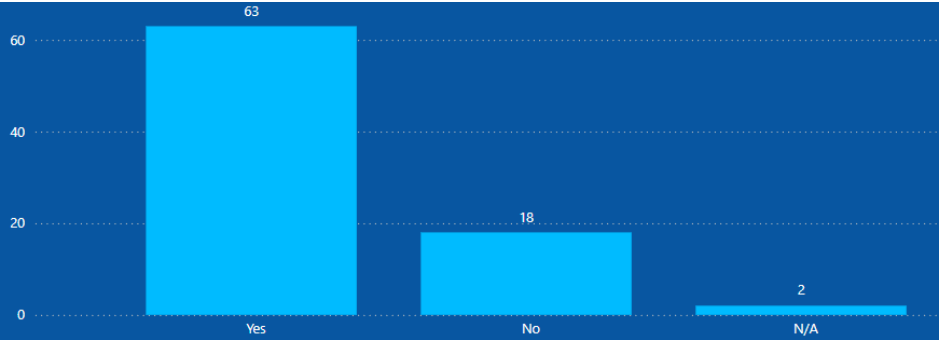
Question 1C.3

Is access to amend the conflicts of interest register restricted?

83 firms out of a of total 84 who answered ‘yes’ to question 1C.1 confirmed:

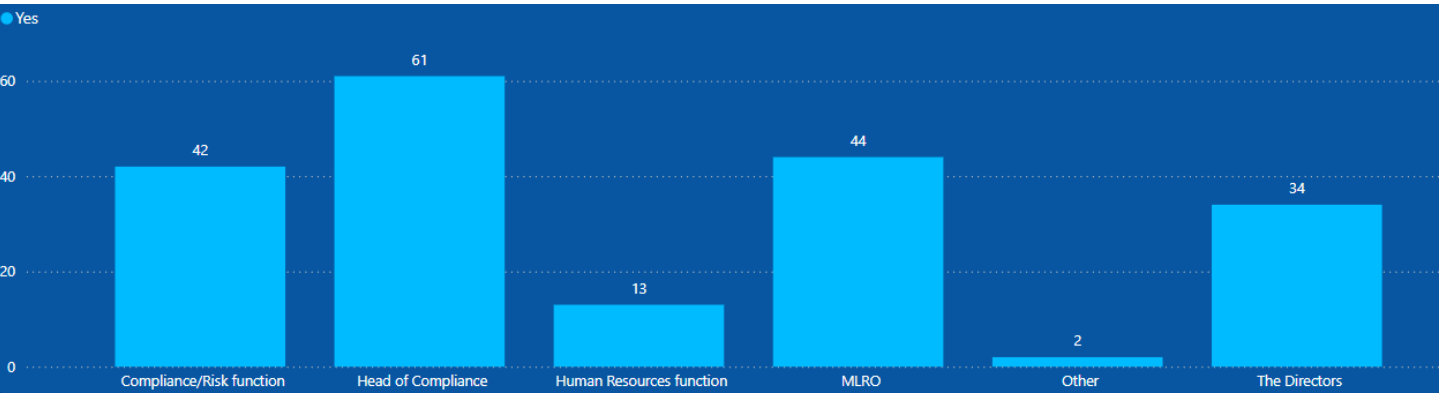
- The register was restricted - 63
- Not applicable due to their type of business - 2
- The register is not restricted - 18.

The Authority considers it best



practice, where applicable to the business, to restrict the register for editing to specific members of staff

for example Compliance, to ensure its integrity and accuracy are maintained.



Question 1C.4

Who has access to amend the conflicts of interest register?

Compliance/Risk function.....	42	MLRO.....	44
Head of Compliance.....	63	Other.....	3
Human Resources function.....	13	The Directors.....	34

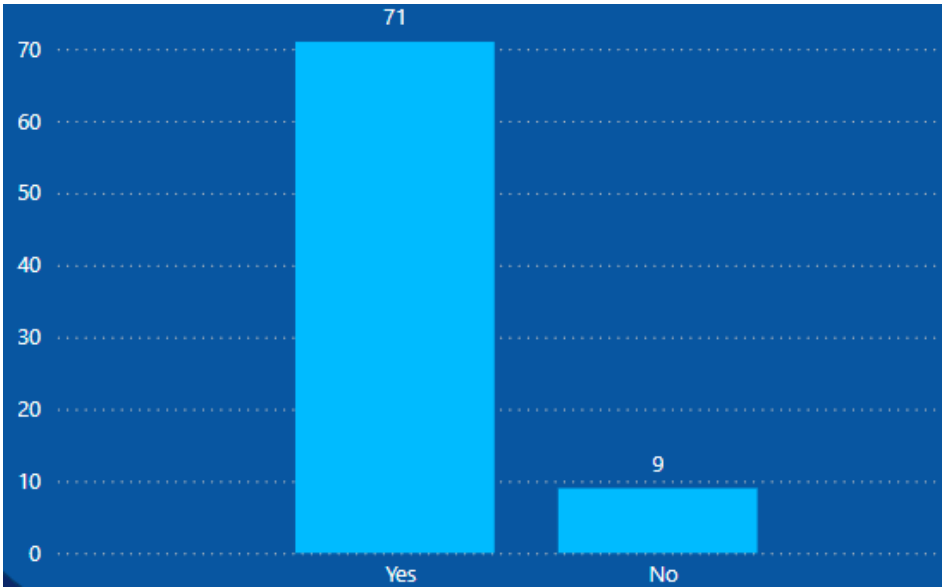
Question 1C.5

Do the Board review the conflicts of interest register?

71 of the 81 firms, who confirmed that they held a conflicts of interest register in 1C.1 and also had a Board, advised that the Board did indeed review the conflicts of interest register.

We would expect the board to review the conflicts of interest register regularly to maintain transparency and manage potential conflicts. This helps in:

1. **Identifying Conflicts:** Early detection of any personal or professional interests that might conflict with board duties.
2. **Ensuring Compliance:** Adhering to policies and legal requirements.
3. **Maintaining Trust:** Demon-

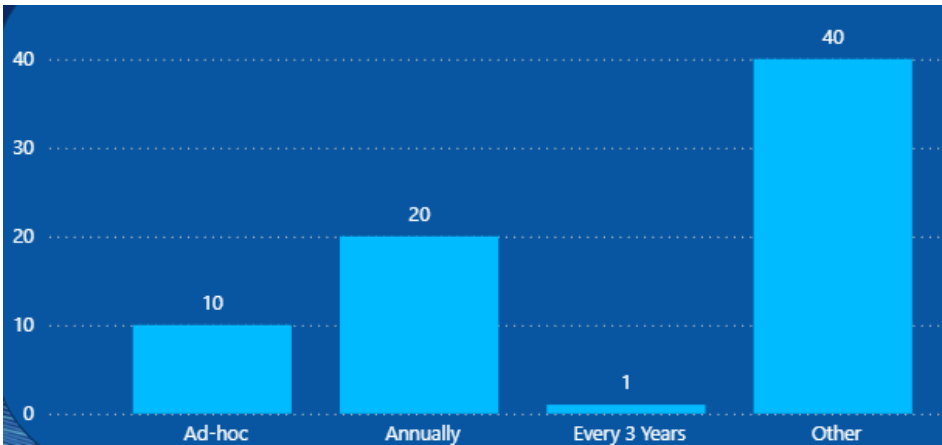


- strating commitment to ethical governance.
4. **Making Informed Decisions:** Ensuring decisions are unbiased and in the organisation’s best interest.
5. **Promoting Transparency:** Fostering a culture of openness and accountability.
Regular reviews are crucial for safeguarding the organisation’s integrity and effectiveness.

Question 1C.7

Frequency of review of the conflicts of interest register.

The Authority considers it good practice for firms to review their conflicts of interest register at least annually as part of their Compliance Monitoring Plan and to document any observations and enhancements. It was noted that a third of firms selected for Phase 1 confirmed that their register was reviewed on a quarterly basis.



The Authority considers it good practice for firms to review their conflicts of interest register at least annually

Question 1C.8

Retention period assigned to the conflicts register (in years).

Rule 8.10(3) Conflicts of Interest register (All Classes except Class 8(1),

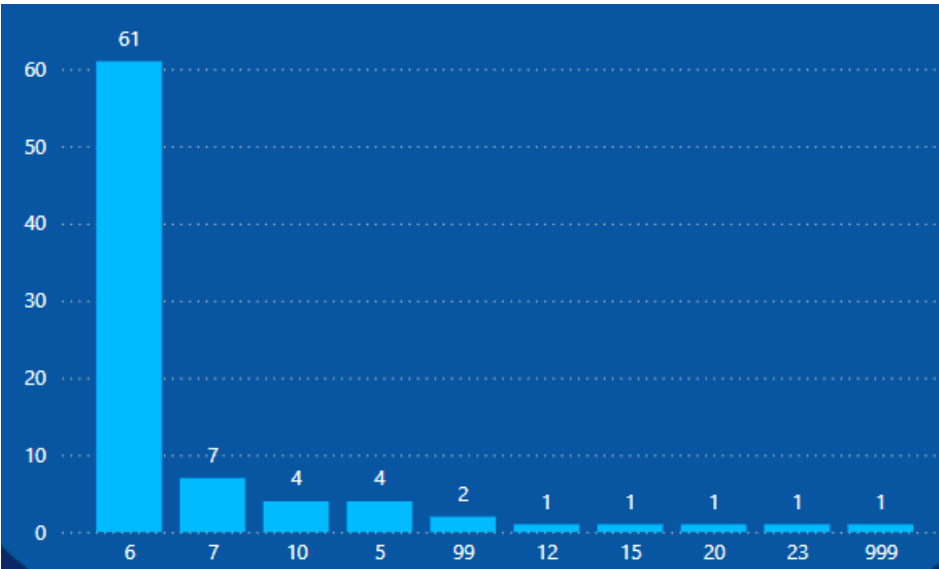
- 8(2)(b) or 8(3))
- The information relating to a conflict of interest must be kept on the register until at least 6 years after the date mentioned in paragraph (2)(b)(vii).

It was observed that 3 firms noted no retention period and thus the register was kept indefinitely; and 4 firms’ retention periods were set at 5 years, which is below the regulatory requirements. It is acknowledged that some firms may have aligned

retention periods to group standards which may be longer than 6 years.

However, where the current retention period is less than 6 years, the Authority would expect firms to update their policies and procedures in order to meet regulatory requirements.

It is also recommended firms review the Isle of Man General Data Protection Regulation and Data Protection Act 2018 requirements per the ICO to ensure they are following the relevant data protection regulations¹.



Question 1C.9

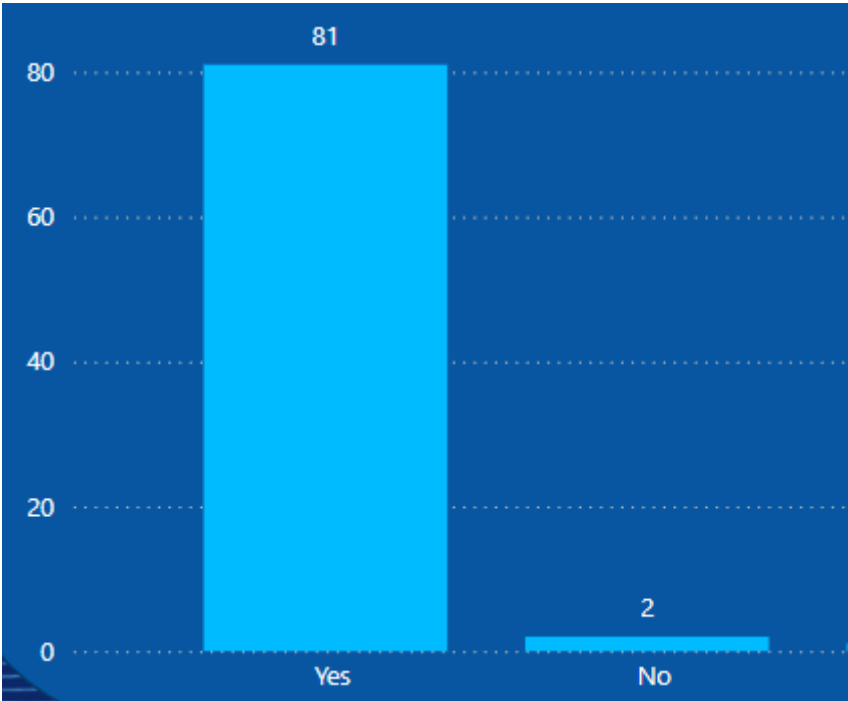
Is the conflicts of interest register aligned with the pro forma conflicts of interest register published on the FSA website?

The Authority would consider it best practice to align with the proforma register published on the FSA website. This alignment ensures:

- **Consistency:** A uniform approach to documenting conflicts.
- **Compliance:** Meeting regulatory requirements.
- **Comprehensiveness:** Capturing all necessary information.
- **Transparency:** Promoting accountability.
- **Ease of Review:** Simplifying the review process for the board.

Aligning the register to the pro forma register will ensure that all pertinent information is captured. Firms may wish to add their own columns to capture data pertinent to their business, committees and or Board requirements. Where the register is not applied to the proforma, the Authority would expect firms to review their register to ensure that it contains at minimum all the information required under rule 8.10.

During Phase 2, it was identified



that in 6% of cases the register was not aligned with the proforma and did not contain all the information required, despite confirming in the Phase 1 Questionnaire that it was aligned. Firms are reminded that it is an offence under the FSA08 section 40 (1)(a)(b) and (c) if a person:

- furnishes or sends to the Authority for any purpose under this Act a document which the person knows to be false or misleading in a material particular; or,
- recklessly furnishes or sends to the Authority for the purposes

of this Act a document which is false or misleading in a material particular; or

- makes a statement which the person knows to be false or misleading in a material particular; or recklessly makes a statement which is false or misleading in a material particular.

Rule 8.10 (2) details information that must be contained within the register, which relevant persons should make themselves aware of and cross reference to their registers to ensure all relevant information is captured.

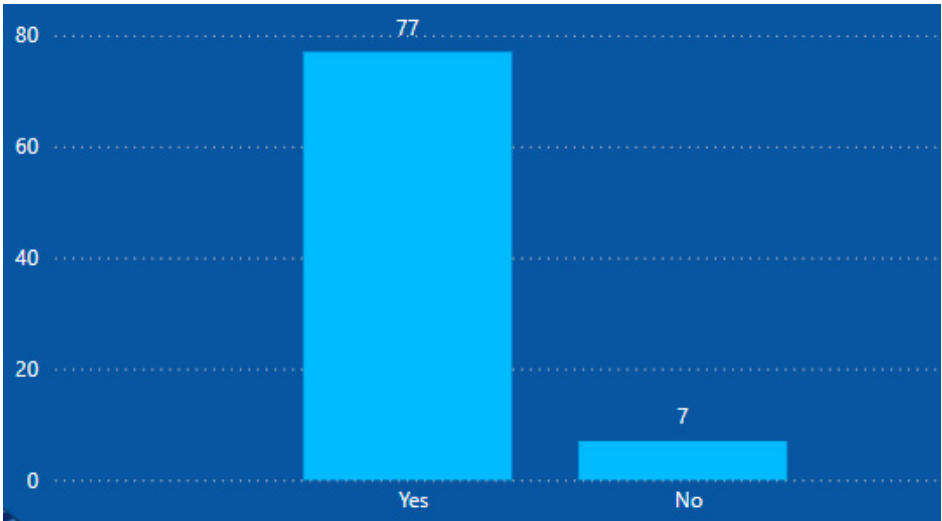
¹ Information Commissioner - <https://www.inforights.im/>

2A Complaints Policy

Question 2A.1

Is a documented complaints policy in place?

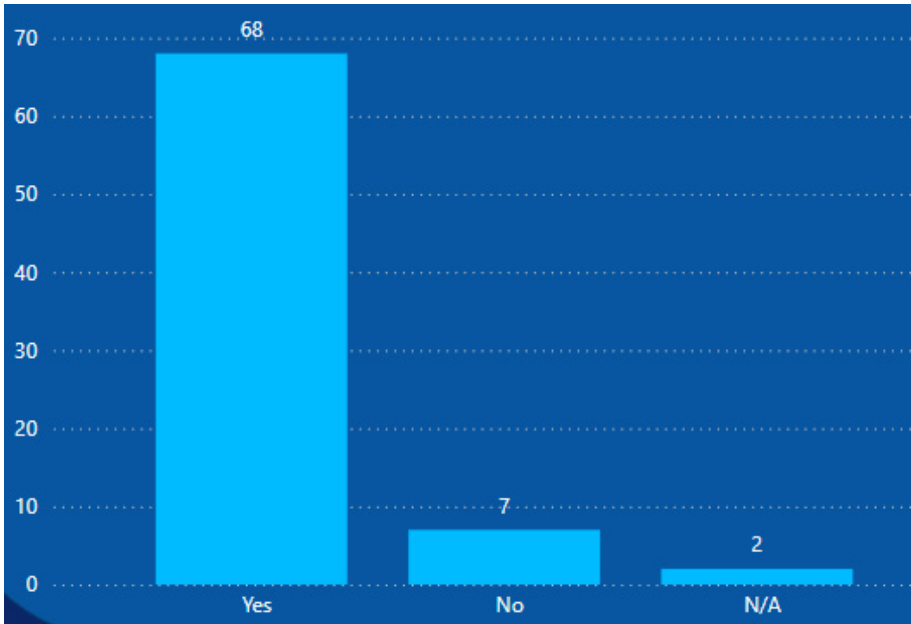
The Authority considers it good practice for firms to have a complaints policy in addition to the complaints procedure required under rule 8.32(2). However, the Authority also acknowledges this is dependent on the firm's business and size.



Question 2A.2

Do the board review and approve the complaints policy?

68 of the 77 (88%) of firms who confirmed that they held a complaints policy in question 2A.1, confirmed that this was reviewed by the board.

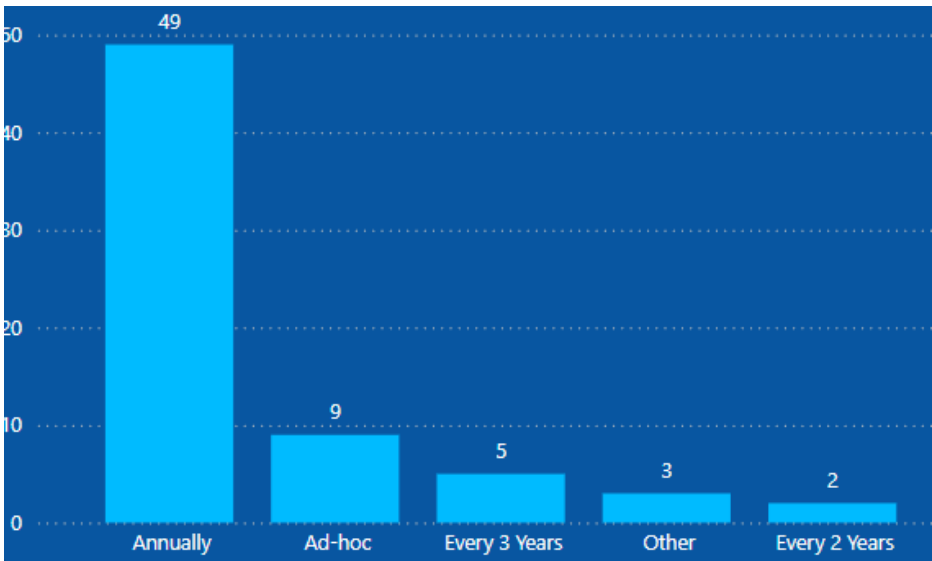


Question 2A.4

Frequency of complaints policy Board review

51 of the 68 (75%) firms who confirmed that the policy was reviewed by the board in question 2A.3, confirmed that this was completed at least annually.

Additionally, a further 7% confirmed that the policy was reviewed on at least an annual basis by compliance with Board sign off only being required when material changes are made. Board reviews can help ensure transparency, accountability, and consistency in how complaints are managed.



2B Complaints Procedure

Question 2B.1

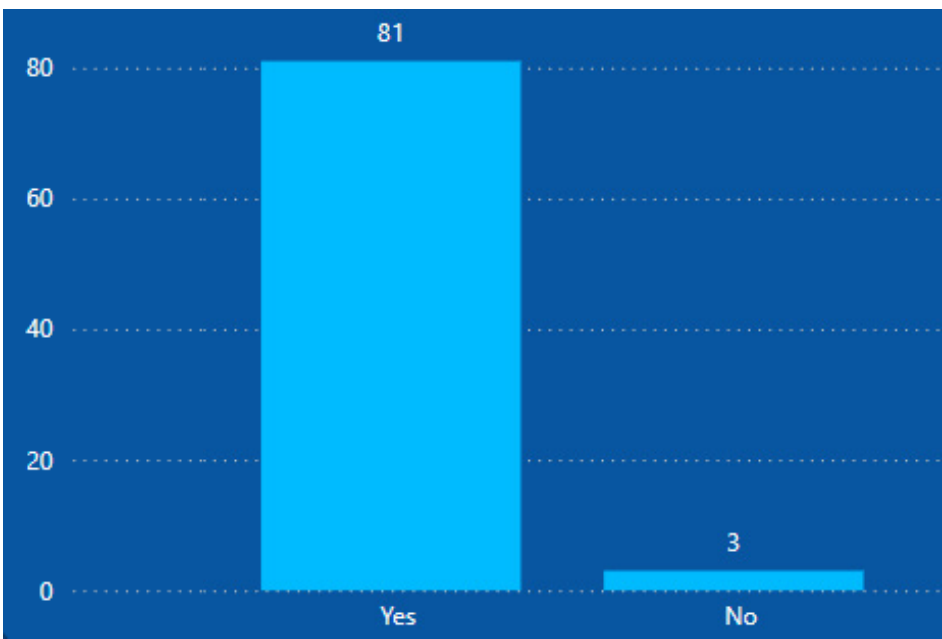
Is a documented complaints procedure in place?

Rule 8.32(2)(a) (All Classes except Class 8(1), 8(2)(b) or 8(3)) requires firms to have a documented procedure that complies with paragraph (1) of rule 8.32 (2) for dealing with complaints.

81 of the 84 firms confirmed that a documented complaints procedure was held. Two respondents confirmed that the procedure was held within their complaints policy with the remaining firm not being required to maintain an independent policy due to the class of license held.

During Phase 2, it was identified that:

- in 6% of procedures reviewed the procedure did not contain the requirement to notify the Authority, where the investigation has not been completed within 8 weeks of receipt of the complaint, as required in rule 8.32(f).
- in 12% of procedures reviewed it referenced advising customers to refer to the Authority if they are not happy with the outcome



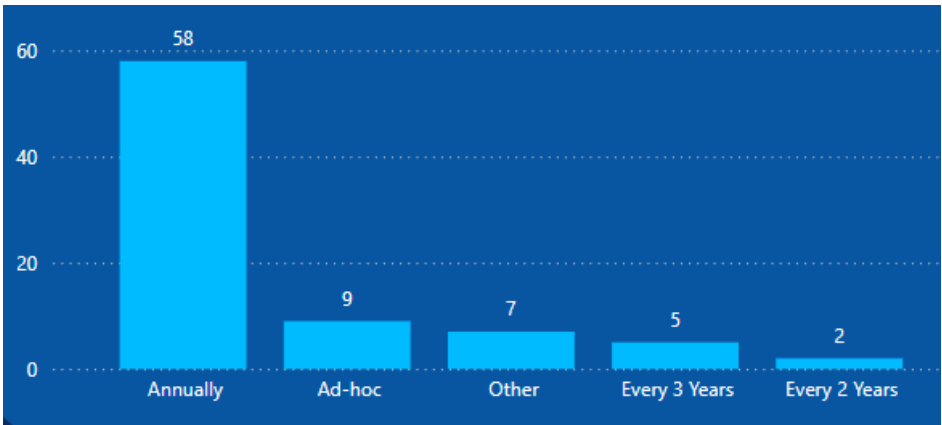
of the firm’s investigation. We acknowledge that the Financial Services Ombudsman have limited scope with Trusts and Corporate Service Providers and the Authority do receive complaints directly from consumers, however the Authority has no power to arbitrate in complaints about regulated entities and the Authority’s role is not to investigate individual complaints, but to supervise the regulated sector. As a best practice point where

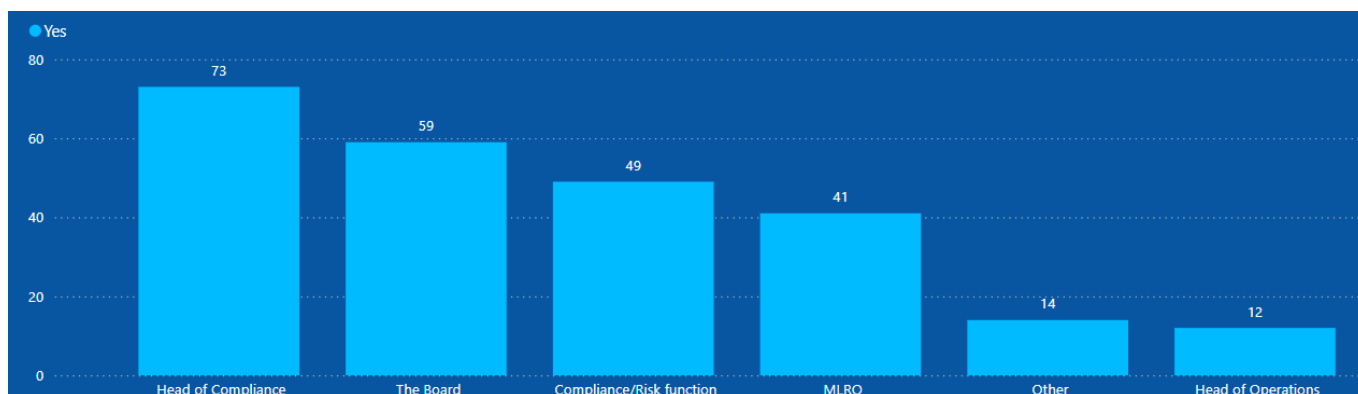
a firm references the Authority to a customer regarding a complaint, the wording should make it clear as to the Authority’s remit and limitations when it comes to complaints about a firm by directing complainants to the Authority’s website on the topic. This ensures consumers’ expectations are met and does not potentially mislead consumers that the Authority can investigate or take up a complaint.

Question 2B.3

Frequency of review of the complaints procedure

63 of the 81 (77%) of firms that confirmed a complaints procedure was in place in question 2B.1 also confirmed that the complaints procedure was reviewed at least annually. The Authority considers it good practice for firms to review procedures on at least an annual basis to ensure that procedure remains effective and aligned with current regulatory requirements, best practices and the firm’s relevant policies.





Question 2B.4

Who reviews the complaints procedure

95% of firms (77 of 81) confirmed that a member of the

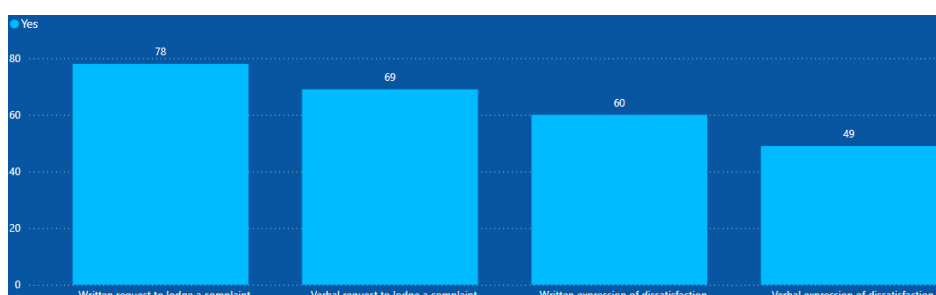
Compliance department was involved in reviewing the procedure. Involving the compliance department in the review ensures adherence to the Legal and Regulatory Compliance requirements and is considered a good practice.

Question 2B.5

Confirm the criteria that must be met for an expression of customer dissatisfaction to be recorded as a complaint.

69 firms confirmed that their complaints criteria include both verbal and written complaints, with 49 of these respondents also including verbal and written expressions of dissatisfaction.

Firms should ensure that their



complaint criteria allow for complaints to be received either by telephone, in writing or face to face in line with Rule 8.32(1):

(1) "If a firm receives a complaint about its regulated activities, either by telephone, in writing or face to face."

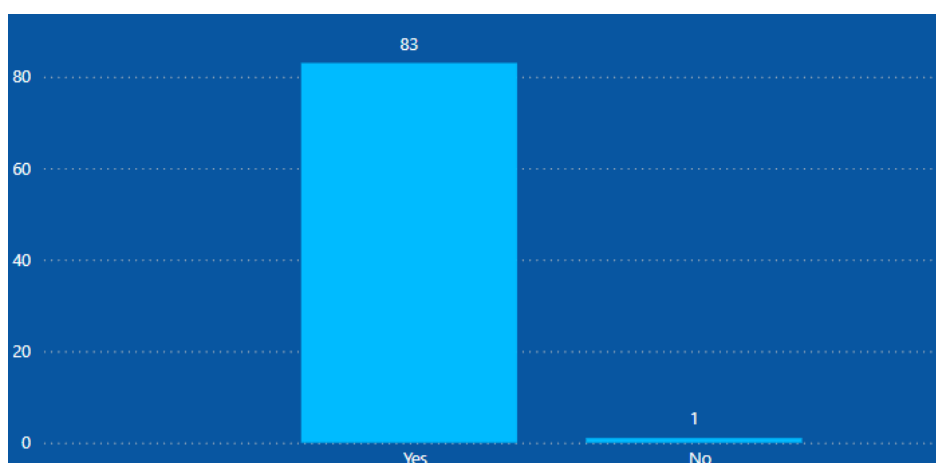
2C Complaints Register

Question 2C.1

Is a complaints register in place?

All 83 firms that are required to have a complaints register in place confirmed this was the case.

Rule 8.32(a) requires firms (except Class 8(1), 8(2)(b) or 8(3)) to have in place a complaints register.

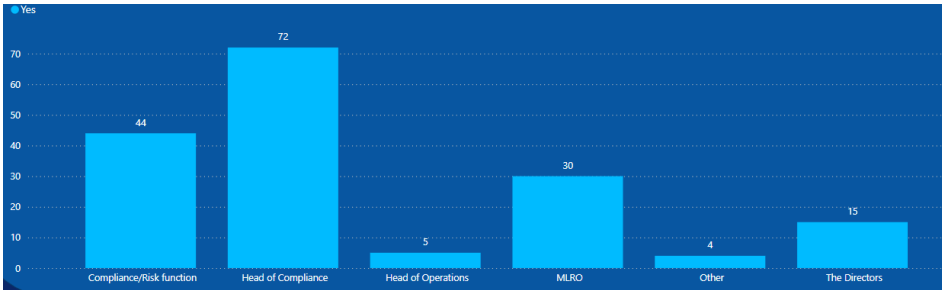


Firms should allow complaints to be received either by telephone, in writing or face to face in line with Rule 8.32(1)

Question 2C.2

Who maintains the complaints register?

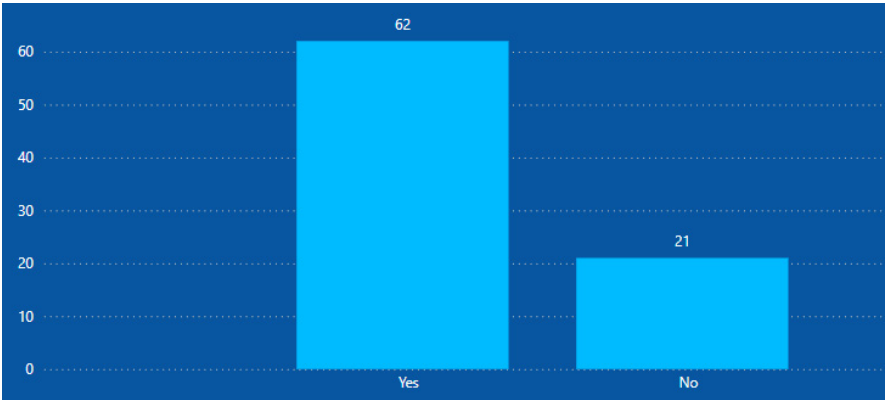
79 of the 83 respondents confirmed that the complaints register was maintained by Compliance in conjunction with other functions in some cases. Where this was not the case, it was maintained by the Head of Operations or Directors.



Question 2C.3

Is access to amend the complaints register restricted?

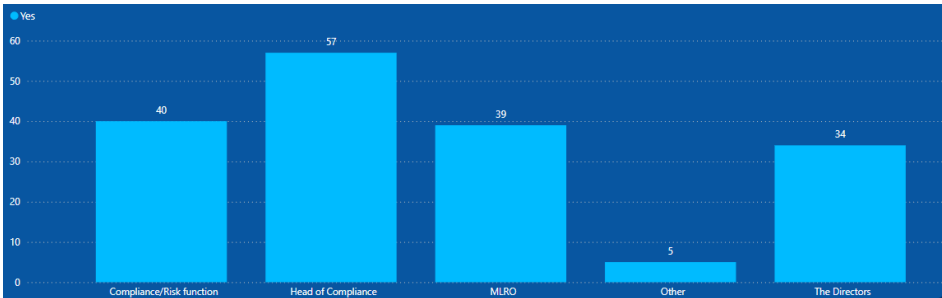
Where a complaints register was required to be held 62 of the 83 firms confirmed that this was restricted for editing. The Authority considers it best practice to restrict the register for editing to ensure its integrity and accuracy are maintained.



Questions 2C.4

Who has access to amend the complaints register?

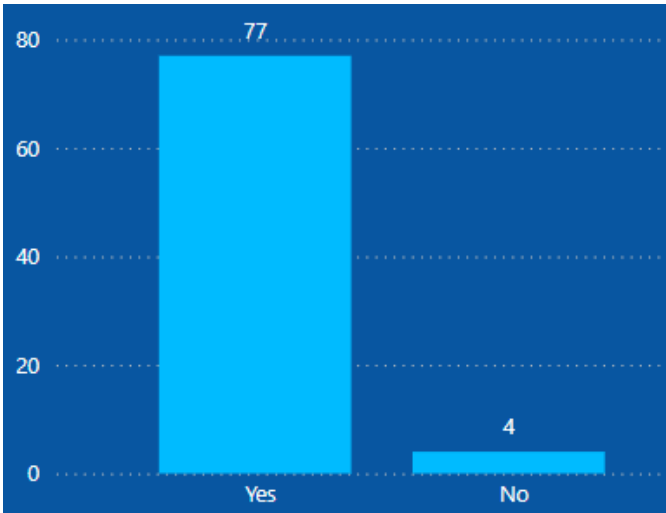
The complaints register does not need to necessarily sit within the compliance function or be controlled by them. However, the compliance function should have oversight of it and any policies and procedures and assurance of the controls should form as part of the Compliance Monitoring Plan and reporting.



Questions 2C.5

Is the complaints register reviewed as part of the Compliance Monitoring Plan?

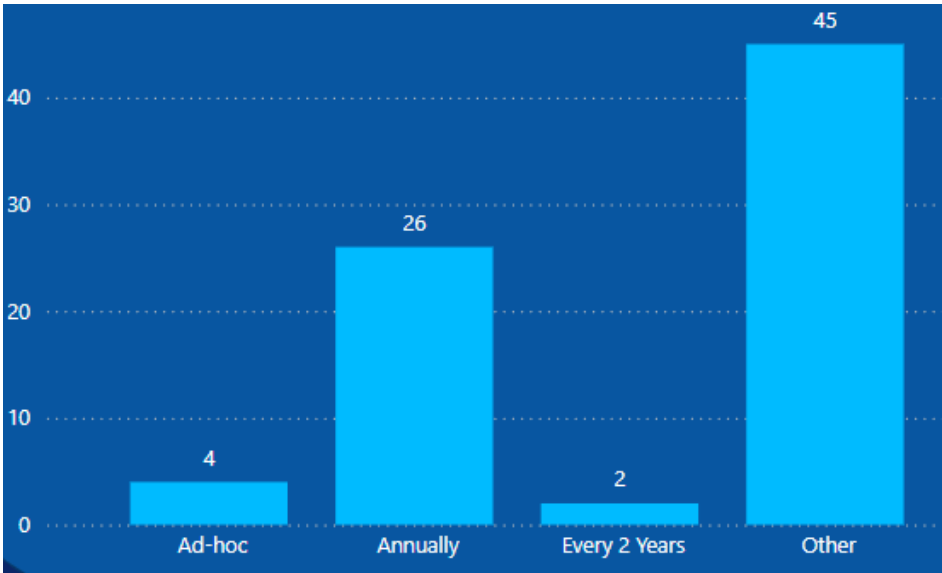
77 out of 81 firms confirmed that the complaints register was reviewed as part of the CMP, where it is applicable to the firm to have one. The Authority would expect the requirements of rule 8.32 to be reviewed and tested to ensure regulatory compliance as part of the CMP. Further, any gaps or breaches should be recorded and notified accordingly and remediation documented in an appropriate manner.



Questions 2C.6

Frequency of reviews of the complaints register

74 of the 77 firms who confirmed that the register was reviewed as part of the compliance monitoring plan in question 2C.5 confirmed that it was reviewed on at least an annual basis which the authority considers best practice. Reviewing complaints on a regular basis not only ensures that regulatory requirements are being met but can also be beneficial in identifying issues, improving customer satisfaction and preventing future problems.



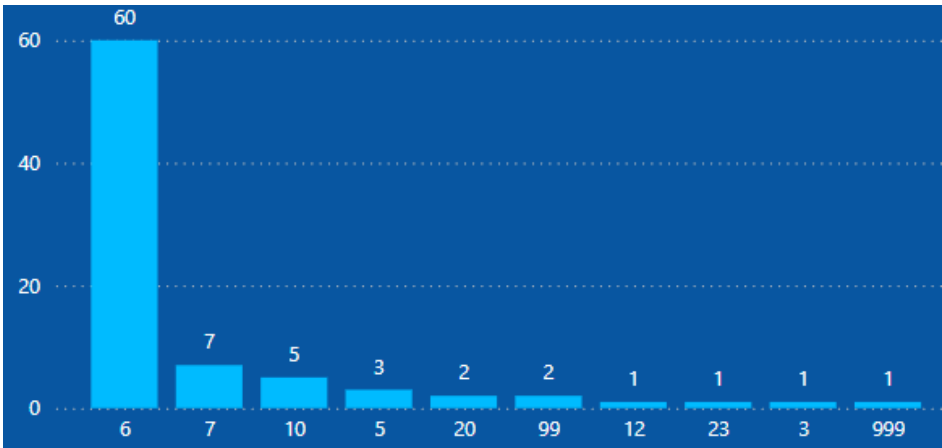
Questions 2C.7

Retention period assigned to the complaints register (in years)

80 of the 84 firms confirmed that registers were maintained for a minimum period of 6 years whilst 3 had a retention period of 5 years and 1 for 3 years.

It was observed that 3 firms noted no retention period and thus the register was kept indefinitely; and 4 firms' retention periods were set at 5 years or less.

The Authority considers it best practice to retain registers for 6 years in order to evidence regulatory requirements.



However, it is acknowledged that some firms may have aligned retention periods to group standards, which may be longer than 6 years.

It is also recommended firms review

the Isle of Man General Data Protection Regulation and Data Protection Act 2018 requirements per the ICO to ensure they are following the relevant data protection regulations.

Reviewing complaints can help to improve customer satisfaction

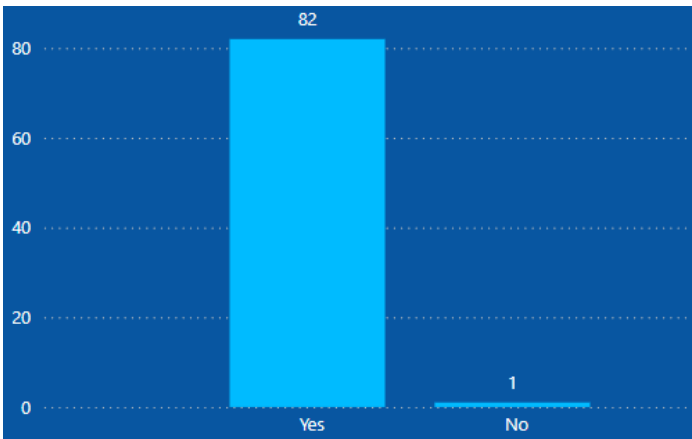
Question 2C.8

Is the complaints register aligned with the pro forma complaints register published on the FSA website?

82 of the 83 respondents confirmed that their complaints register was aligned to the proforma register available on the authority's website.

The Authority would consider it best practice to align with the proforma register published on its website.

Aligning the register to the pro forma register will ensure that all pertinent information is captured.



Questions 2C.9

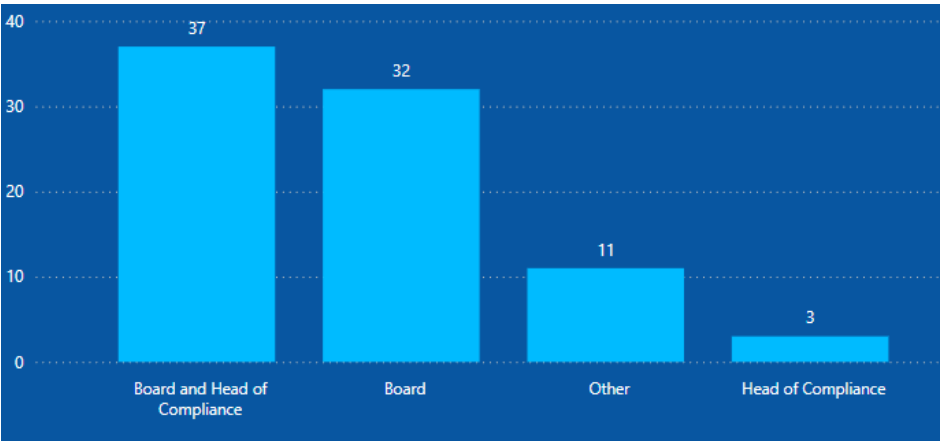
Who is complaints Management Information (MI) reported to?

80 of the 83 firms confirmed that management information relating to complaints was reported to the Board or Risk Committee with delegated authority from the Board.

This question was not applicable to the 2 professional officers included in this questionnaire.

Timely accurate management information is crucial to:

- Maintain Compliance
- Identify areas for improvement



- Preventing reoccurrence; and
- Enhancing Customer Satisfaction

The Authority considers it best prac-

tice for the Board or risk committee (as appropriate) to have sight of management information relating to its customers complaints.

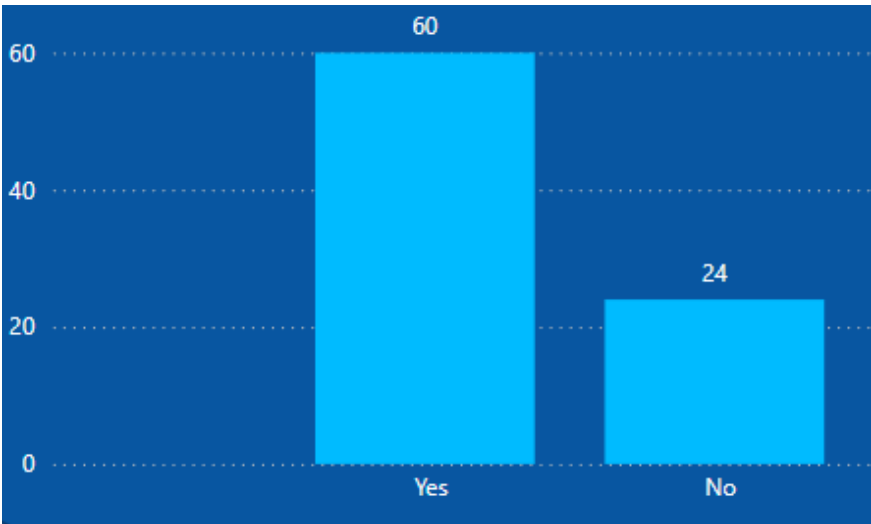
3A Breaches Policy

Question 3A.1

Is a documented breaches policy in place?

60 of the 84 firms confirmed that they had a breaches policy in place.

The Authority considers it good practice to maintain a breaches policy. A breaches policy outlines the steps to be taken in the event of a breach, ensuring that you can respond quickly and effectively should a breach be identified and reduce the risk of further breaches.

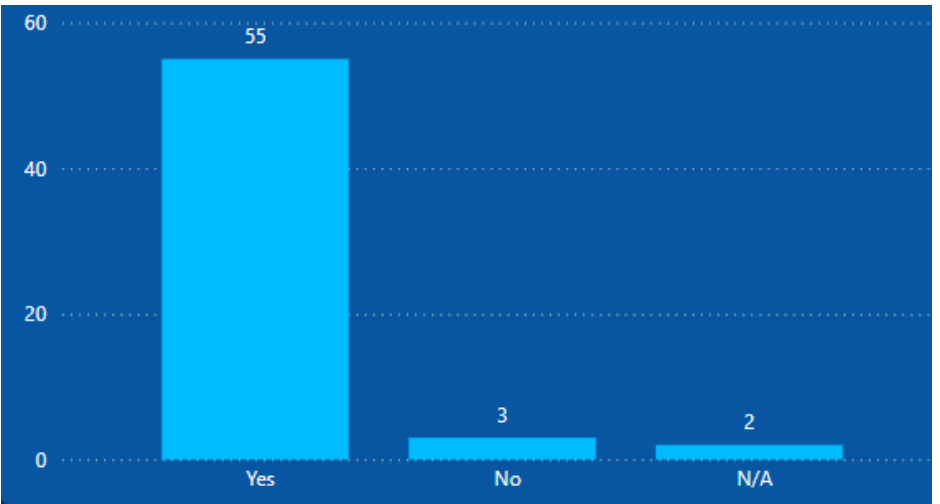


Question 3A.2

Do the Board review and approve the breaches policy?

55 of the 60 firms who responded 'yes' to 3A.1 confirmed that this was reviewed by the Board.

Board reviews can help ensure transparency, accountability, and consistency in how breaches are managed.



Question 3A.4

Frequency of breaches policy Board review

48 of the 55 (87%) firms who held a breaches policy and confirmed that this was reviewed by the board on at least an annual basis with a further 5% being reviewed by compliance annually.

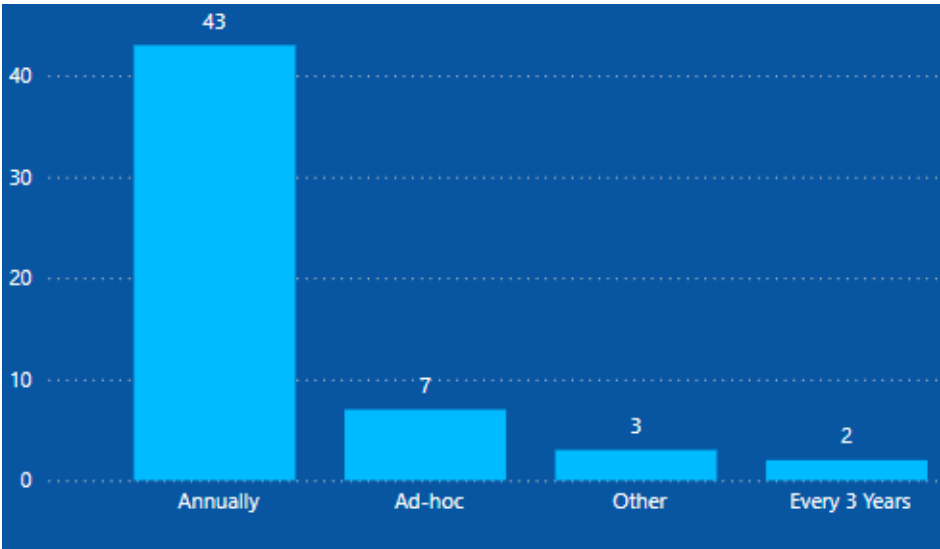
A breaches policy should ideally be reviewed at least annually to ensure it remains effective and up to date with the latest security threats and regulatory requirements. However, it's also important to review the policy whenever there are significant changes in your organisation, such as:

- New regulations or compliance requirements.

- Major organisational changes (e.g. mergers, acquisitions).
- Introduction of new technolo-

gies or systems.

- After a significant security incident or breach.



3B Breaches Procedure

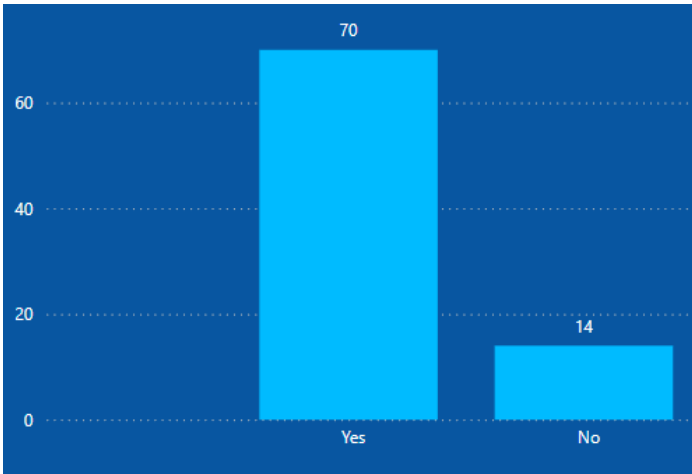
Question 3B.1

Is a documented breaches procedure in place?

70 (83%) of firms confirmed that they had a breaches procedure in place.

A documented breaches procedure is considered good practice for several reasons:

- A clear procedure ensures that everyone knows their roles and responsibilities, which helps in responding quickly and effectively to a breach.
- It helps in assessing and mitigating the impact of the breach, reducing potential damage.
- It ensures timely and accurate communication with stakeholders, including regulatory bodies and affected individuals.



A well-documented procedure typically includes steps for identifying, containing, and reporting the breach, as well as guidelines for notifying affected parties and regulatory authorities.

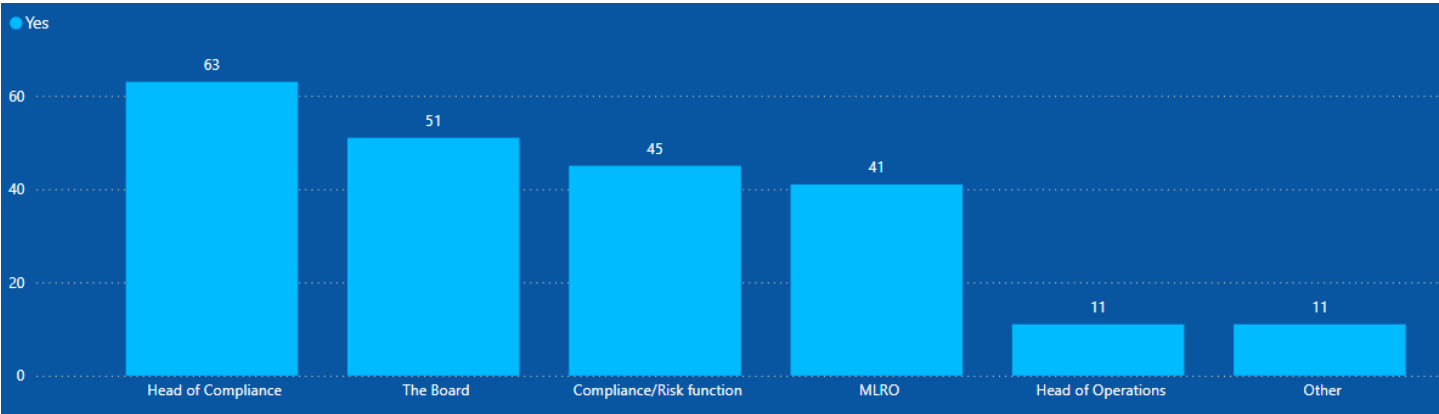
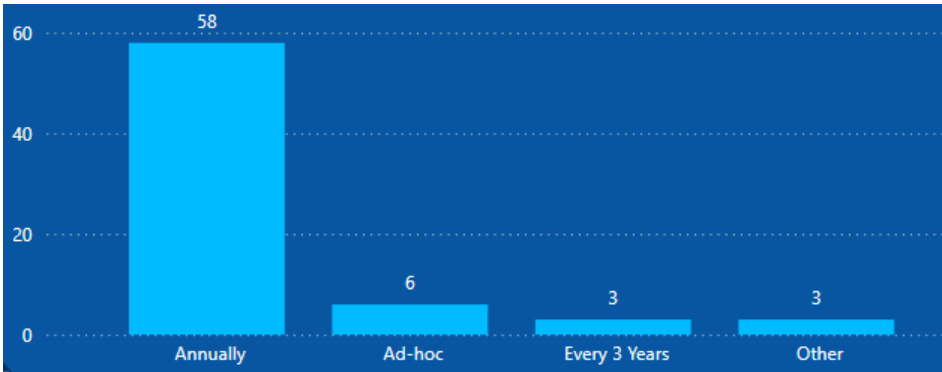


A documented breaches procedure is considered good practice for several reasons

Question 3B.3

Frequency of review of the breaches procedure

60 of the 70 (86%) firms who confirmed in question 3B.4 that they held a breaches procedure confirmed that this was reviewed at least annually.



Question 3B.4

Who reviews the breaches procedure?

All firms who confirmed that they held a breaches procedure in ques-

tion 3B.1 confirmed a member of the compliance team was involved in the review of the procedure.

It is considered best practice for a member of the compliance team to

be involved in reviewing the procedure to ensure that it is aligned with current laws and regulations.

This question was not applicable for professional officers.

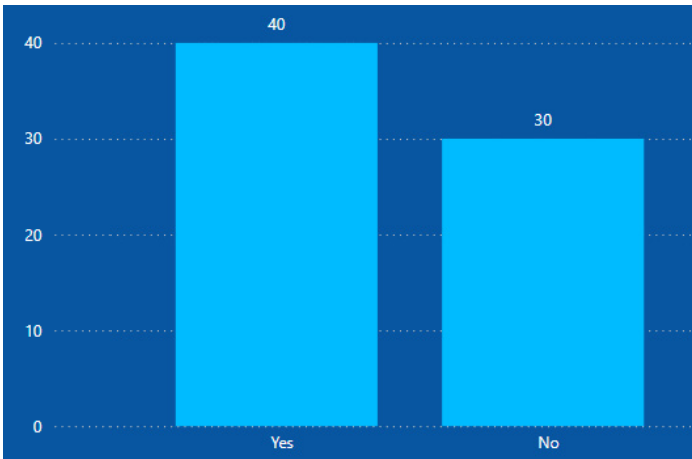
Question 3B.5

Does the breaches procedure define materiality?

57% of those that responded 'yes' to a breaches procedure in place in question 3B.1, confirmed it defined materiality.

Defining materiality in the procedure:

- helps to ensure that regulatory requirements are met, and material breaches are reported as required. Rule 8.17 (1) states: 'A firm must notify the Authority as soon as it becomes aware of a material breach by the firm of any of the regulatory requirements.'
- Provides a consistent framework for assessing the impact of breaches, ensuring that decisions are made uniformly.



- helps prioritize and manage risks, focusing resources on incidents that have the most impact.

Defining materiality in the procedure can create many benefits

3C Breaches Register

Question 3C.1

Is a breaches register in place?

Firms are required to maintain a register of all breaches of regulatory requirements under Rule 8.17(3) of the Rule Book. This includes:

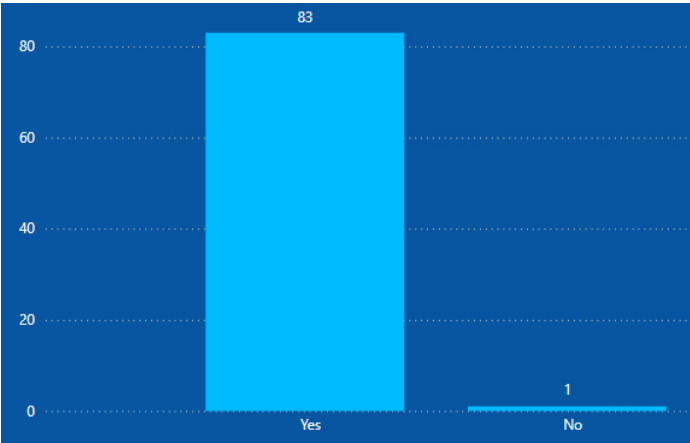
- (1) A firm must notify the Authority as soon as it becomes aware of a material breach by the firm of any of the regulatory requirements.
- (3) A firm must maintain a register of all breaches.

This register should document all breaches, not just material ones, and helps ensure compliance and transparency within the organisation.

Whilst no breaches may yet have been identified, all firms are reminded of the requirement to main a register.

During **Phase 2**, it was identified that:

- in 12% of the firm’s registers reviewed it was identified that material breaches had not been recorded on the



firms register.

- In 6% of the firm’s registers reviewed it was identified that a technical breach logged on the firm’s register was not reported to the Authority as required.

Firms are reminded of the requirements of rule 8.17 and are encouraged to review the requirements to ensure their processes align.

Questions 3C.2

Who maintains the breaches register?

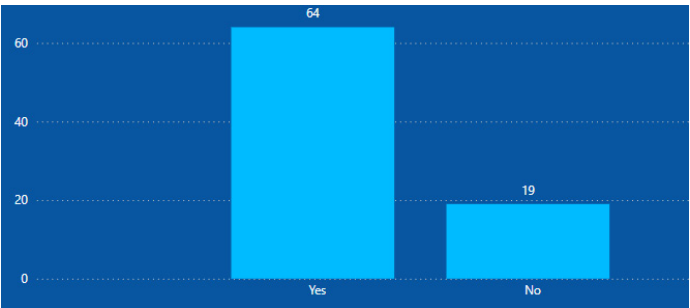
80 of the 83 firms who confirmed that a breaches register was held in question 3C.1, stated that registers were maintained by either a member of compliance team, Directors or professional officer or a combination of these officers.

Questions 3C.3

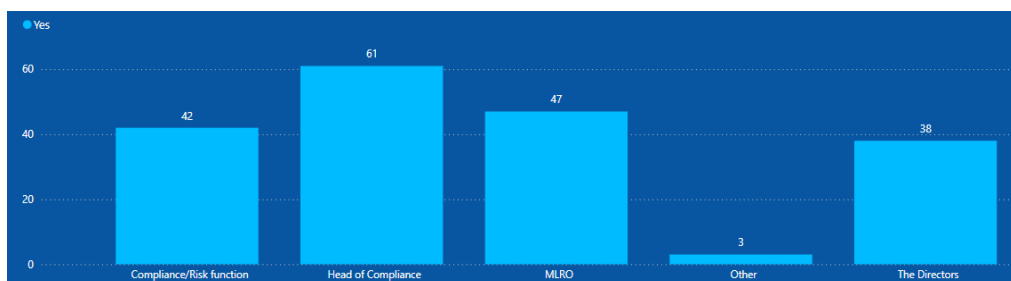
Is access to the breaches register restricted?

64 of the 83 firms confirmed that their breaches registers were restricted for editing.

The Authority considers it best practice to restrict the register for editing to ensure its integrity and accuracy are maintained.



Editing restrictions help to ensure integrity and accuracy



Question 3C.4

Who has access to amend the breaches register?

With the exception of 1 firm who confirmed that the IT manager was able to amend the register, access

was restricted to the compliance team, Directors and where applicable professional officers.

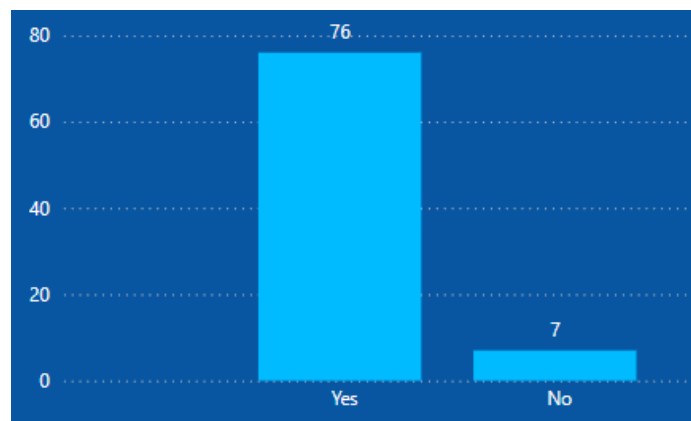
Question 3C.5

Does the breaches register detail whether the breach is material versus not?

Firms are required to maintain a register of all breaches of regulatory requirements under Rule 8.17 of the Rule Book. This includes:

- A firm must notify the Authority as soon as it becomes aware of a material breach by the firm of any of the regulatory requirements.
- Where a licenceholder gives a notification under paragraph (1) it must also inform the Authority of the steps it proposes to take to remedy the situation.
- A firm must maintain a register of all breaches.

Clearly identifying material breaches assists the organisa-



tion meeting its regulatory obligations under Rule 8.17(2) Guidance by way of a pro-forma Breaches of Regulatory Requirements Register can be found on the Authority's website.

Question 3C.6

Please confirm how incidents are recorded

69 of 83 firms confirmed that they had in place a mechanism for recording incidents. Recording incidents are important to:

- ensure that all relevant events are documented, which can be crucial for meeting regulatory requirements and demonstrating compliance.
- identify patterns and potential risks, helping to prevent future breaches and improve overall security.
- ensure that there is a clear record of what happened, who was involved, and how it was



- handled, which is important for accountability and transparency.
- can provide valuable insights into areas where processes and controls can be improved, leading to better overall performance

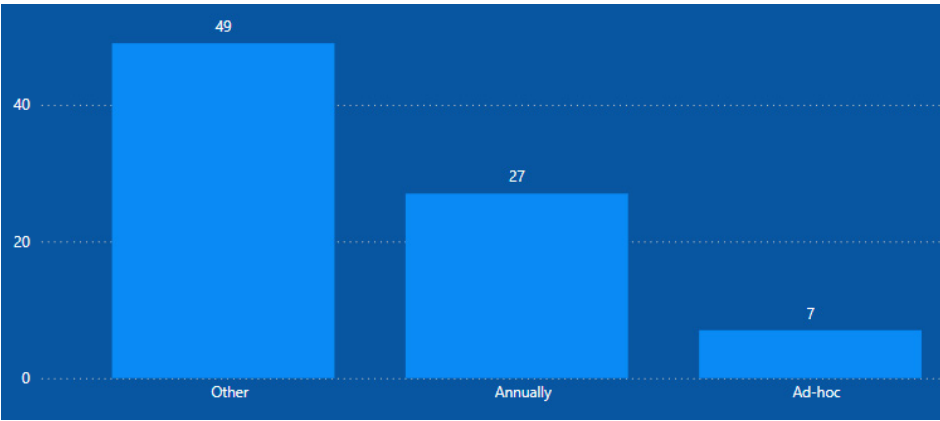
- and compliance.
- can provide evidence that the organisation took appropriate actions and followed proper procedures in the event of a dispute or investigation.

Question 3C.7

Frequency of review of the breaches register.

99% of firms stated that the breaches register was reviewed at least annually of which 55% stated it was reviewed at least quarterly as part of the Compliance Monitoring Plan.

The Authority would expect a review of the breaches register to be part of the Compliance Monitoring Plan.



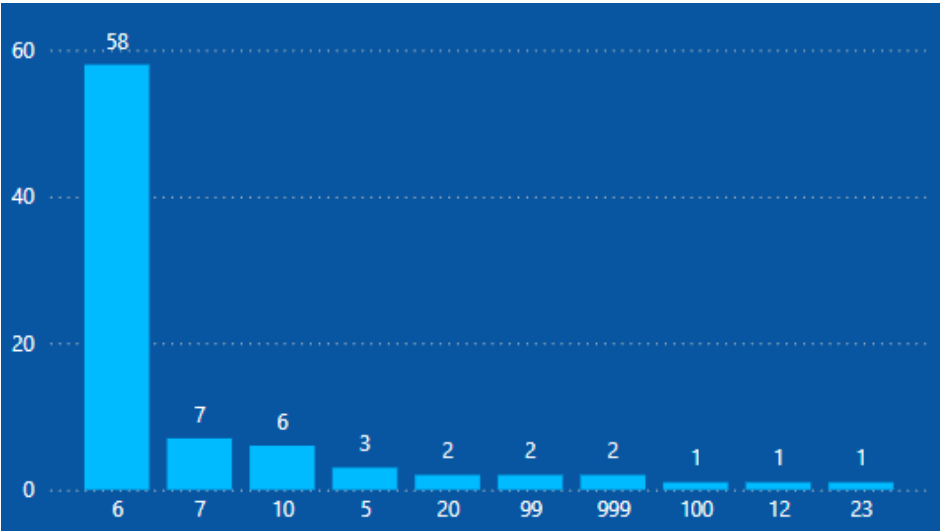
Question 3C.8

Retention period assigned to the breaches register (in years).

80 of the 83 firms confirmed that registers were maintained for a minimum period of 6 years whilst 3 had a retention period of 5 years.

The Authority considers it best practice to retain registers for 6 years in order to evidence regulatory requirements. It was observed that 5 firms noted no retention period and thus the register was kept indefinitely.

It is acknowledged that some firms may have aligned retention periods to group standards, which may be longer than 6 years.



Question 3C.9

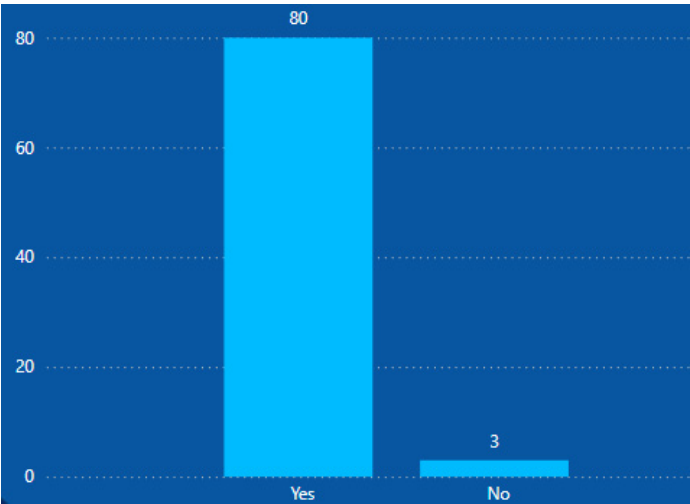
Is the breaches register aligned with the pro forma breaches register published on the Authority’s website.

80 of the 83 firms confirmed that their complaints register was aligned to the proforma register available on the authority’s website.

The Authority would consider it best practice to align with the proforma register published on its website.

Aligning the register to the pro forma register will ensure that all pertinent information is captured.

During Phase 2, it was identified that in 6% of cases the register was not aligned with the proforma and did not contain all the information required despite confirming in the Phase 1 Questionnaire that it was aligned.



Firms are reminded that it is an offence under the FSA08 section 40 (1)(a)(b) and (c) if a person:

- furnishes or sends to the Authority for any purpose under this Act a document which the person knows to be false or misleading in a material particular; or,
- recklessly furnishes or sends to the Authority for the purposes of this Act a document which is false or

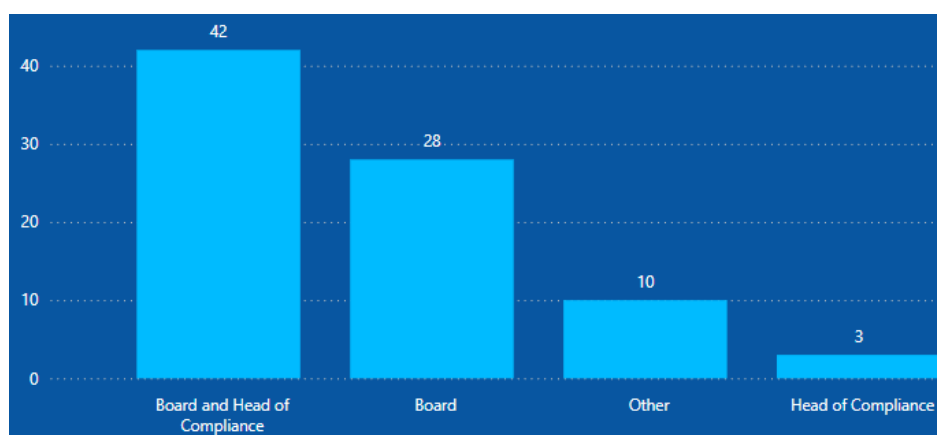
- misleading in a material particular; or
- makes a statement which the person knows to be false or misleading in a material particular; or
- recklessly makes a statement which is false or misleading in a material particular.

Question 3C.10

Who is breaches Management Information (MI) reported to?

78 of the 81 of the licensed entities confirmed that management information in respect of breaches was reported to the Board.

The Authority would expect management information in regard to breaches to be included in the compliance report presented to the Board.



*note that respondents included 2 professional officers as such there would be no board reporting.

4A Pricing Errors

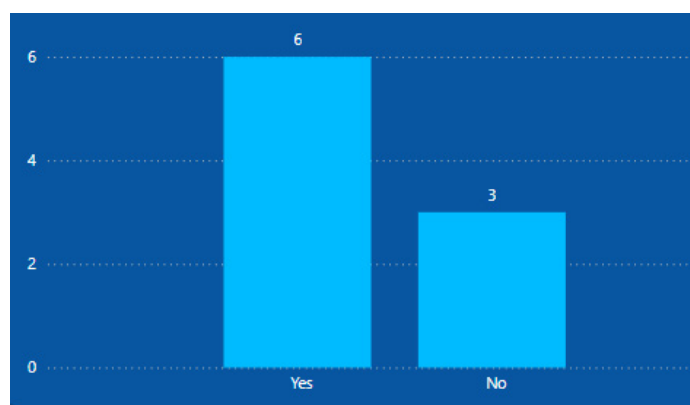
(class 3(1), 3(2), 3(3), 3(4), 3(11) or 3(12) only)

Question 4A.1

Is a documented pricing errors policy in place?

66% of Class 3 firms selected confirmed that they did have a documented pricing errors policy in place.

The Authority consider it best practice to have a documented policy, but acknowledges the size of firm and type of licence to whether this would be practical.

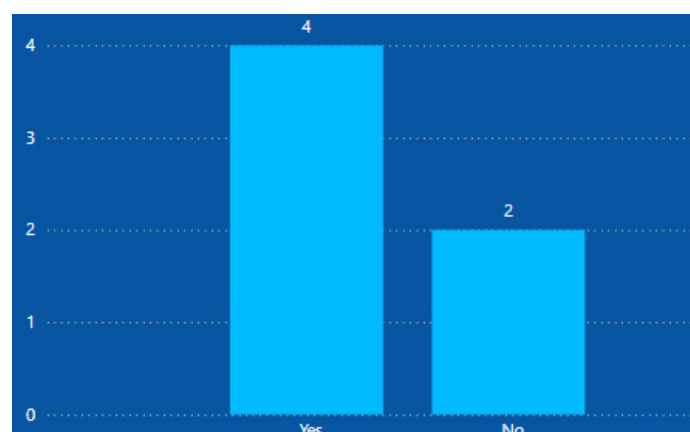


Question 4A.2

Do the Board review and approve the pricing errors policy.

67% of the 6 firms who confirmed that they had a policy in place in question 4A.1, stated this was reviewed by the board.

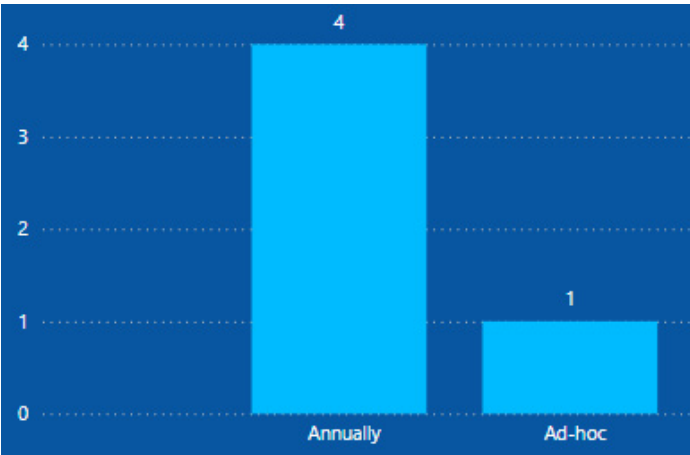
Board reviews can help ensure transparency, accountability, and consistency in how pricing errors are managed.



Question 4A.4

Frequency of pricing errors policy Board review.

100% of firms that confirmed that the Board reviewed their policy said that this was done at least on an annual basis.

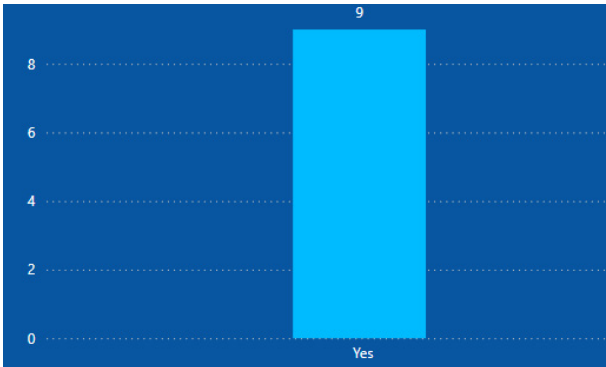


4B Pricing Errors Procedure

Question 4B.1

Is a documented pricing errors procedure in place?

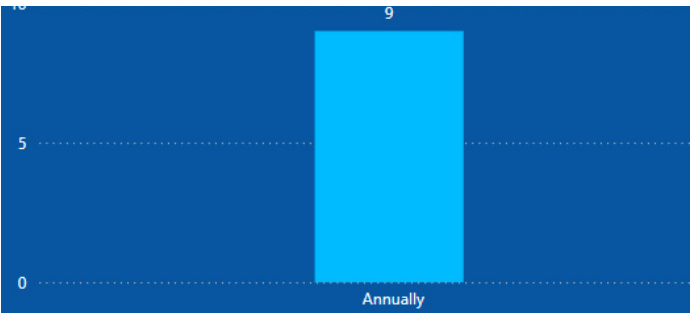
100% of firms confirmed that they had a pricing error procedure in place. The Authority considers this best practice.



Question 4B.3

Frequency of review of the pricing errors procedure.

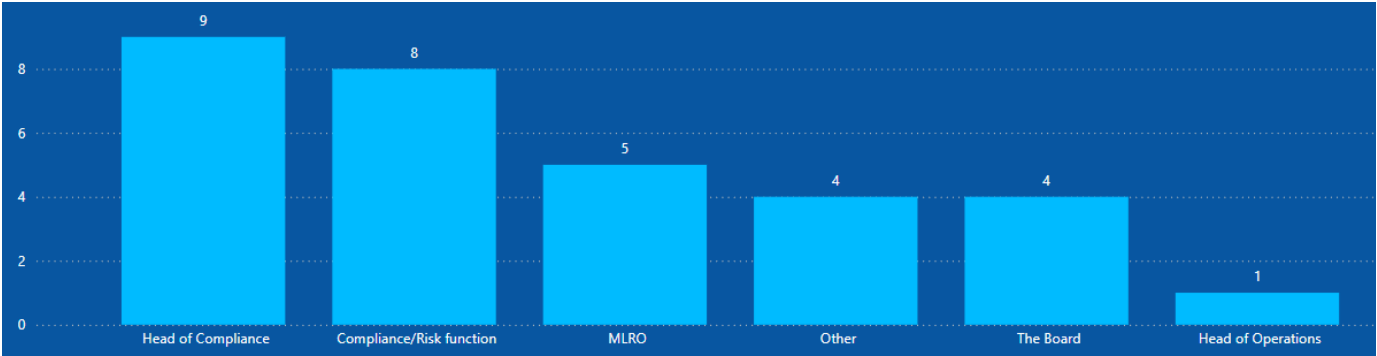
All firms confirmed that their pricing error procedure was reviewed on an annual basis. The Authority considers this best practice.



Question 4B.4

Who reviews the pricing errors procedure?

All respondents who confirmed they had a procedure in place (9), stated that the Head of Compliance together with senior members of staff reviewed the procedure. The Authority considers this to be best practice.



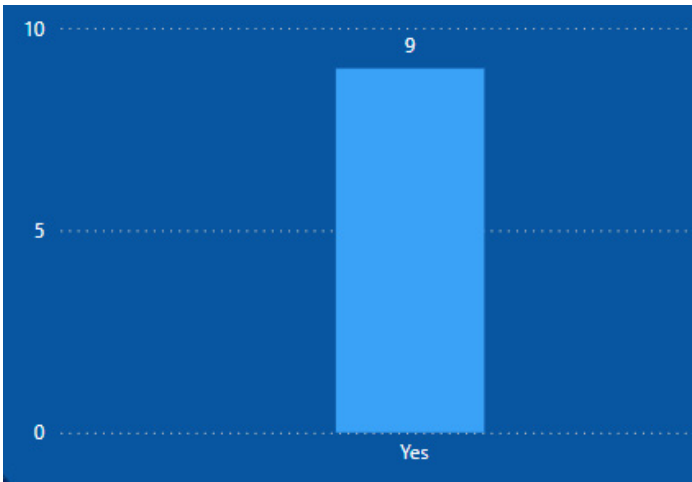
4C Pricing Errors Register

Question 4C.1

Is a pricing errors register in place?

Rule 8.60(3) states: A firm must maintain a register of all pricing errors in relation to a collective investment scheme.

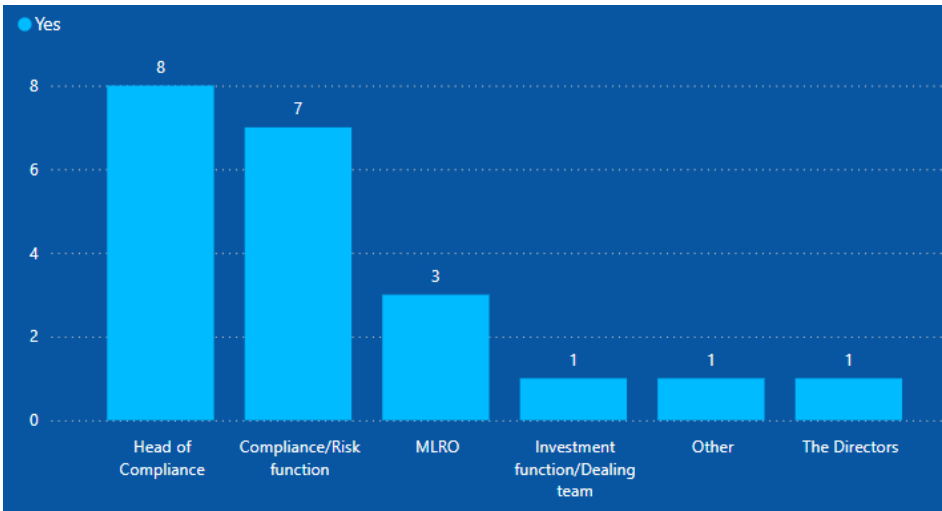
100% of firms selected confirmed that they had a register in place.



Question 4C.2.

Who maintains the pricing errors register?

89% of firms confirmed that the register was maintained by the Head of Compliance in conjunction with other functions within the business with the remaining firm's register being maintained by the Investment function.

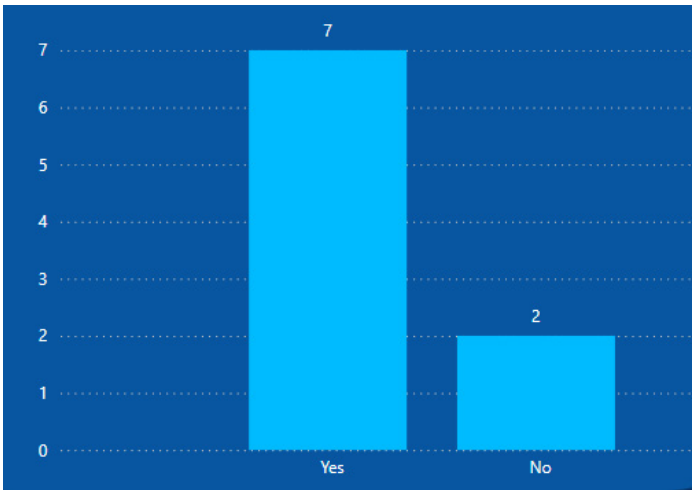


Question 4C.3

Is access to the pricing errors register restricted?

7 of the 9 firms confirmed that their registers were restricted.

The Authority considers it best practice to restrict the register for editing to ensure its integrity and accuracy are maintained.



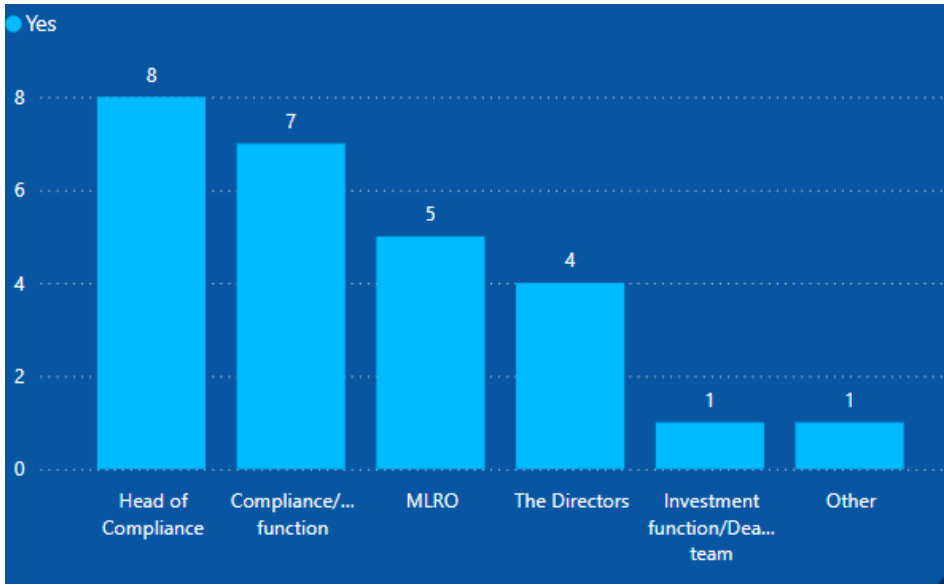
It is best practice to restrict the register for editing to ensure its integrity and accuracy are maintained



Question 4C.4

Who has access to amend the pricing errors register?

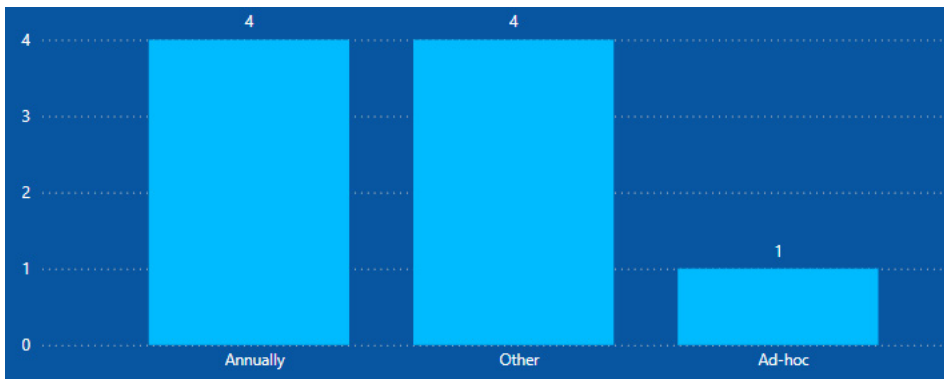
89% of firms restrict editing of the register to Compliance and Directors.



Question 4C.7

Frequency of review of the pricing errors register.

55% of firms confirmed that the register was reviewed quarterly, with the remaining 45% confirming an annual review took place.

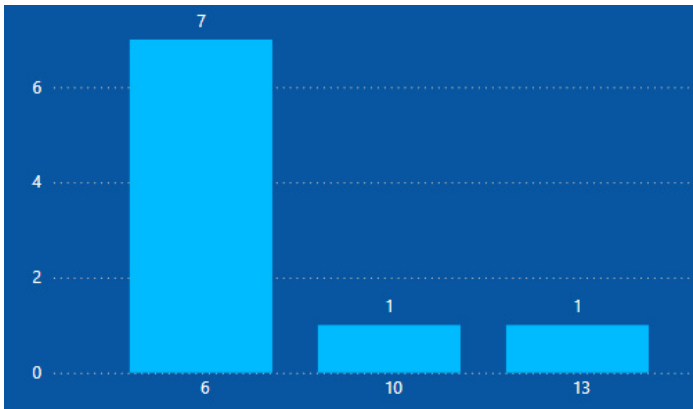


Question 4C.8

Retention period assigned to the pricing errors register (in years).

100% of respondents confirmed that registers were maintained for a minimum period of 6 years.

It is acknowledged that some firms may have aligned retention periods to group standards which may be longer than 6 years.



55% of firms confirmed that the pricing errors register was reviewed quarterly, with the remaining 45% conducting an annual review



Questions 4C.9.1 and 4C.9.2

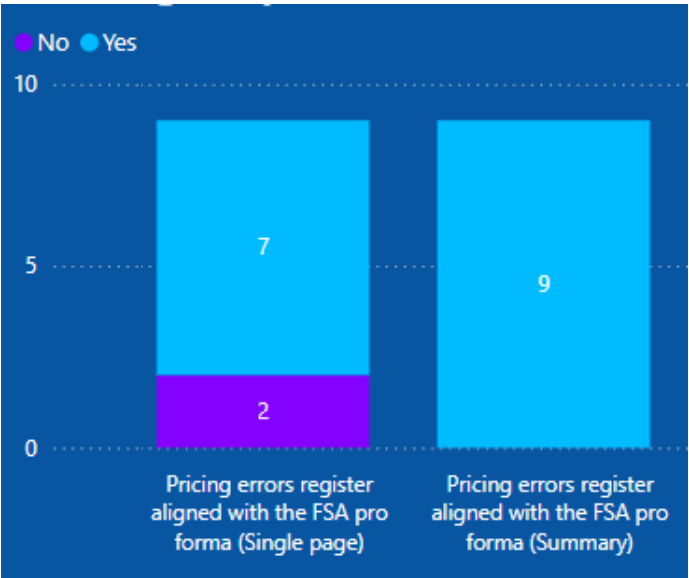
Is the pricing errors register aligned with the pro forma pricing errors (summary and Single Page) registers published on the FSA website?

The (Single Page) pro-forma record is a guidance document, based on rule 8.60(3) in the Rule Book.

The format is consistent with the Error Reporting Form, which is intended to be used when reporting to the Authority errors of more than 0.5% of the price of the unit, under rule 8.60(1).

The Summary pro-forma register is a guidance document, based on Rule 8.60(3) in the Rule Book.

The Authority would consider it best practice to align with the proforma register published on its website and utilise the single page pro-forma record should any notifications to the Authority be required.

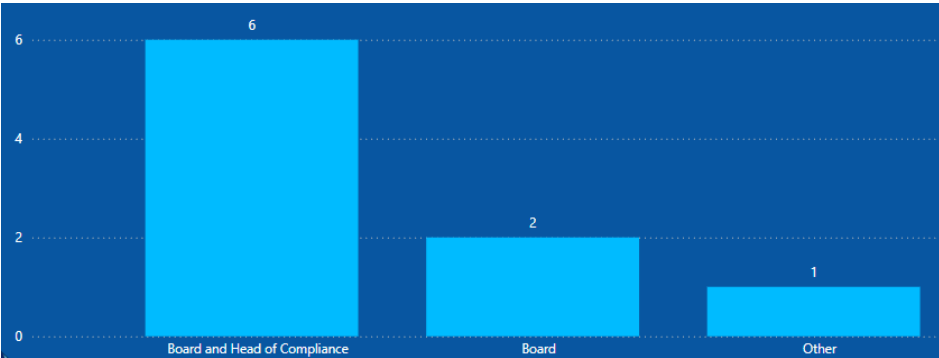


Aligning the register to the pro forma register will ensure that all pertinent information is captured.

Question 4C.10

Who is informed of pricing errors?

100% of firms holding a Class 3 license confirmed that management information in regard to pricing errors is reported to the Board.



Additional Observations from Phase 2

Policies and Procedures

During Phase 2 it was identified that not all firms have a change/version control log on their Policies and Procedures.

The Authority would consider as best practice that all Policies and Procedures should contain a comprehensive change/version control log to include the dates of issue/review and other sign-off/approval details, along with details of any changes made (or confirmation no changes required) together with a version number.

In Conclusion



Interactions and submissions by firms were all made within the requisite timeframes and the engagement with the Authority's officers throughout the thematic was positive and in the spirit of Rule 8.30¹ Relations with the Regulator.

We hope this report has provided further clarity to our firms and their relevant persons in meeting their regulatory compliance obligations with the Rule Book requirements and highlighted useful best practice suggestions in regard to regulatory registers. On a more general note, the Authority supervises a large and diverse population of firms and undertakes supervision and oversight of these firms through four dedicated supervisory divisions that work closely together. As part of our planning across the Authority, we have grouped our supervisory prior-

ities into the four broad themes for 2025 to 2027 of: Countering Financial Crime; Culture, Governance & Risk Management; Financial & Operational Resilience; and Quality of Supervisory Data.

Going forward, firms in the Portfolio Supervision Division will typically only be the subject of one Prudential and Conduct thematic review in any one year. Where heightened risk is identified through ongoing supervision, one-to-one engagement will continue including full inspections where necessary.

The Portfolio Supervision Division oversees a large cohort of Isle of Man regulated entities who are considered to be low impact, per the Supervisory Methodology launched in May 2023. In the Supervisory Methodology it details that impact is a cornerstone of the Authority's risk-

based Framework for all non-AML/CFT supervision.

For each firm, the Authority assessed its "impact" as the degree of disruption that would be caused to its consumers, and to the financial system, the economy and the reputation of the Isle of Man were it to fail or carry on its business in an unsafe manner.

In general, the higher the impact rating is for a firm, the more intensely it is supervised i.e. through relationship management and Enhanced supervision.

Since this launch, the Portfolio Division has been on a significant growth journey building out a full complement of SMEs. We have split the Division into two sub-teams in order to manage the large volume of licenced low impact firms. This will mean that whilst there is not a 'relationship manager' per Portfolio firm, or regular meetings, each firm will deal with a small cohort of dedicated people for their day-to-day queries, excluding AML/CFT.

We welcome open dialogue with our Firms at all times on aspects that arise.

The Authority supervises a large and diverse population of firms and undertakes supervision and oversight of these firms through four dedicated divisions

¹ Rule 8.30 of the Isle of Man Financial Services Rule Book 2016.



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