

## Revised Civil Penalty Provisions – Questions & Answers

### 1. Consultation on Financial Services (Miscellaneous Provisions) Bill

The Authority launched a consultation on the draft Financial Services (Miscellaneous Provisions) Bill ('draft Bill') on Friday 27 June 2025. The draft Bill focuses on proposed amendments to the following Acts of Tynwald:

- Financial Services Act 2008 ('FSA08')
- Collective Investment Schemes Act 2008 ('CISA08')
- Insurance Act 2008 ('IA08')
- Designated Businesses (Registration and Oversight) Act 2015 ('DBROA15').

The proposed amendments seek to update the Acts and cover various matters. They are intended to clarify and enhance the Isle of Man's regulatory and oversight frameworks, reflect changes to international standards, and safeguard the Island's reputation as a well-regulated jurisdiction for financial services.

The proposed changes outlined in the draft Bill will support the more efficient use of the Authority's resources and enhance consistency and clarity for the benefit of all stakeholders. The proposals also seek to strike the right balance, updating the legislation and carrying out the necessary 'housekeeping' while being mindful of the need to maintain competitiveness and minimise any adverse effects of regulation.

### 2. Proposed Amendments to Civil Penalty Provisions

An important focus of the draft Bill is proposed revisions to civil penalty provisions, which would include powers to impose civil penalties on individuals who hold (or previously held) key roles in regulated entities or designated businesses. Currently, the Authority has the power to impose civil penalties on regulated firms, designated businesses, and, in limited cases, certain individuals. The CISA08, IA08 and DBROA15 already contain penalty provisions that could be applied to certain individuals, however the FSA08 (which covers most financial services) does not. The proposed revisions would help ensure a coherent and consistent framework across all core regulatory legislation and provide the statutory basis for new secondary legislation, which would set out a revised civil penalty framework that applied to regulated entities, designated businesses and certain individuals.

The consultation on the draft Bill covers proposed amendments to the following regulatory civil penalty provisions:

- Clause 11 – Section 16, FSA08
- Clause 38 – Section 19A, CISA08
- Clause 64 – Section 37, IA08
- Clause 96 – Section 30, DBROA15.

The proposed changes would enable the Authority to impose civil penalties on individuals who hold or have held key roles within regulated entities, such as directors and/or employees with significant decision-making power or control, where there is evidence of misconduct or regulatory failings. Importantly, these powers are intended to provide a proportionate enforcement tool and potential alternative to prohibition, enhancing the Authority's existing regulatory toolkit and fitting in with the Authority's overall enforcement approach of being reasonable, proportionate, and appropriate. A decision to impose such a civil penalty would follow the Authority's [Enforcement Decision-Making Process](#) ('EDMP') and the governance and procedural safeguards it affords. Such decisions would also be subject to appeal to the Financial Services Tribunal.

The revised penalty provisions and introduction of civil penalties for individuals would bring the Isle of Man into line with long-established international expectations. Global standard-setters such as the Basel Committee on Banking Supervision ('BCBS'), the International Organization of Securities Commissions ('IOSCO') and the Financial Action Task Force ('FATF') all emphasise the importance of regulators having effective enforcement tools that include the ability to take action against both firms and individuals. These powers are seen as essential to ensuring accountability, deterring misconduct, and maintaining confidence in financial markets. Comparable jurisdictions, including the UK, Jersey, and Guernsey have operated individual civil penalty regimes for many years. The proposal would help ensure the Island keeps pace with international standards and is well-positioned for future external assessments, such as the upcoming MONEYVAL review.

The draft Bill seeks to establish the statutory basis for the revised civil penalties regime. The detailed design and operation of the civil penalty framework including safeguards, thresholds, and procedural protections will be set out in secondary legislation and will be subject to a separate consultation in due course.

### 3. Supporting the Authority's Consumer Mandate

The introduction of civil penalties for individuals would also support the Authority's core objective of protecting consumers of financial services. Holding individuals accountable, particularly those in senior roles, would strengthen personal responsibility and reinforce high standards of conduct within regulated businesses. This, in turn, helps deter misconduct that can lead to financial harm for customers, investors, and policyholders. Civil penalties provide a tool to address serious individual failings without resorting to more extreme measures, such as prohibition, unless truly warranted. By improving the overall culture of accountability in the sector, these powers would contribute to greater transparency, trust, and public confidence in the Island's financial system.

### 4. Questions & Answers ('Q&As')

#### **Q1: Why is the Authority proposing to introduce civil penalties for individuals under the FSA08?**

A: This is in response to evolving international standards which require financial services regulators to have the power to hold both firms and individuals to account. The measure is designed to enhance regulatory credibility, strengthen deterrence, and bring the Isle of Man in line with international practice.

**Q2: Doesn't the Authority already have powers to penalise individuals?**

A: The Authority has certain powers to take action against individuals under specific regulatory Acts. For example:

- **Warning Notices** – Where there are concerns about an individual's conduct or competence;
- **'Not Fit & Proper' Directions** restricting individuals from holding certain roles;
- **Prohibition Orders** which can bar individuals from working in specific functions, sectors, or in the regulated sector altogether; and
- **Director disqualifications**, which can disqualify individuals from acting as officers of Isle of Man companies if they are deemed unfit.

Currently, the Authority has the power to impose civil penalties on regulated firms, designated businesses, and, in limited cases, certain individuals. The CISA08, IA08 and DBROA15 already contain penalty provisions that could be applied to certain individuals. However, these have not yet been implemented into the Authority's civil penalty framework.

There is currently no power to impose a civil penalty on individuals under the FSA08, regardless of the seriousness of the misconduct. As a result, in the most severe cases, the only available sanction may be a prohibition, a measure which in some circumstances may not be the most appropriate form of disposal. There is no graduated financial penalty option, which would allow for proportionate sanctions where misconduct is serious but does not necessarily warrant a prohibition. The proposed revisions to the civil penalty provisions seek to introduce the power under the FSA08 and harmonise the approach to civil penalties across the Acts to achieve a more consistent approach.

**Q3: What kind of individuals would this apply to?**

A: The revised powers in the primary legislation would establish a statutory basis for applying civil penalties to individuals who hold (or have held) key roles within regulated entities or designated businesses, for example, directors and other individuals who play significant roles in decision-making or control. The detailed framework (including roles within scope, matters for which penalties could be levied etc.) would be established under secondary legislation and associated guidance, and would be subject to a separate consultation and Tynwald procedure.

**Q4: What will the civil penalty regime for individuals look like in practice?**

A: The proposed changes to primary legislation would give the statutory basis for the revised civil penalty regime. The specifics such as penalty thresholds, procedural steps, and criteria for enforcement will be developed in secondary legislation, which will itself be subject to public consultation at a later stage prior to implementation. The Authority understands the need for clarity and will ensure the regime is subject to proper scrutiny and transparency. For example, as part of the harmonisation of civil penalty provisions, section 37 of the IA08 would be revised to require civil penalty regulations to be made setting out the detail of the regime, which is not currently a requirement.

**Q5: Is there a risk that individuals could be unfairly penalised or blamed by firms?**

**A:** The Authority is mindful of concerns that individuals could be unfairly penalised or blamed by firms. In developing the future framework, the Authority will ensure appropriate safeguards are in place to prevent misuse or unfair application. The intention is not to target individuals unfairly blamed by firms, but to ensure accountability where there is clear evidence of individual misconduct or failure.

**Q6: Is this just the Authority trying to expand its powers unnecessarily?**

**A:** Not at all. This proposal is driven by the need to meet international standards and to ensure the Island maintains its reputation as a well-regulated financial centre. Similar powers have been in place in other international financial centres for years<sup>1</sup> and are viewed as a core part of an effective enforcement toolkit. The proposed regime supports the Isle of Man's compliance with other global standard setters such as BCBS, IOSCO and FATF, which emphasise the importance of regulators having effective enforcement tools that include the ability to take action against both firms and individuals.

**Q7: How will this affect individuals currently working in regulated firms and designated businesses?**

**A:** For most individuals in specified roles who comply with their responsibilities and are not involved in cases of serious misconduct, there would be no impact. Only certain roles would be in-scope of the penalty framework, e.g. directors and other individuals who play significant roles in decision-making or control. The proposals are about ensuring the Authority can take appropriate action against relevant individuals, not just firms. They would also reinforce the importance of strong governance and accountability at all levels.

**Q8: Why is the Authority harmonising the civil penalty provisions across different Acts?**

**A:** One of the key aims of the draft Bill is to align and harmonise the civil penalty provisions across the Authority's core Acts, the FSA08, IA08, CISA08 and DBROA15. At present, the powers to impose civil penalties differ in scope and structure across these Acts, with some legislation containing specific frameworks for individual penalties and others having no such provisions at all. This inconsistency creates challenges in enforcement and leads to regulatory fragmentation, which can undermine transparency, fairness, and the effectiveness of the regime.

Harmonisation will help ensure that all regulated sectors and individuals are treated on a consistent basis, with a clear, coherent, and predictable enforcement framework.

The proposed approach will allow for:

- A single, consistent foundation in primary legislation.
- Civil penalties regimes in each Act to be developed through secondary legislation and accompanying guidance, following consultation.
- Greater clarity for industry participants, legal practitioners, and consumers; and

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<sup>1</sup> <https://www.jerseyfsc.org/search?search=civil+penalties&contenttype=Public%20statements>  
<https://www.gfsc.gg/commission/enforcement/public-statements>  
[https://www.fca.org.uk/search-results?search\\_term=penalties%20on%20individuals](https://www.fca.org.uk/search-results?search_term=penalties%20on%20individuals)  
<https://www.fsc.gi/news?category=4&page=1>  
<https://www.centralbank.ie/news-media/legal-notice/enforcement-actions>

- Improved readiness for international assessment and regulatory benchmarking.

Harmonisation also supports the Authority's broader commitment to regulatory proportionality, fairness, and consistency, reinforcing public trust and providing stronger protection for consumers and the Island's reputation.

## 5. Next Steps

Following closure of the consultation period on 8 August 2025, the Authority will review the responses received and publish a Feedback Statement on the Authority's website and the Isle of Man Government Engagement Hub.

## 6. Questions

If you have a question that is not covered by this document, please contact the Authority's Policy & Risk Division by email to [Policy@iomfsa.im](mailto:Policy@iomfsa.im) or telephone on +44 1624 646000.