



ISLE OF MAN
FINANCIAL SERVICES AUTHORITY

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ISLE OF MAN FINANCIAL SERVICES AUTHORITY

ESTATE AGENTS THEMATIC – PHASE 2 REPORT

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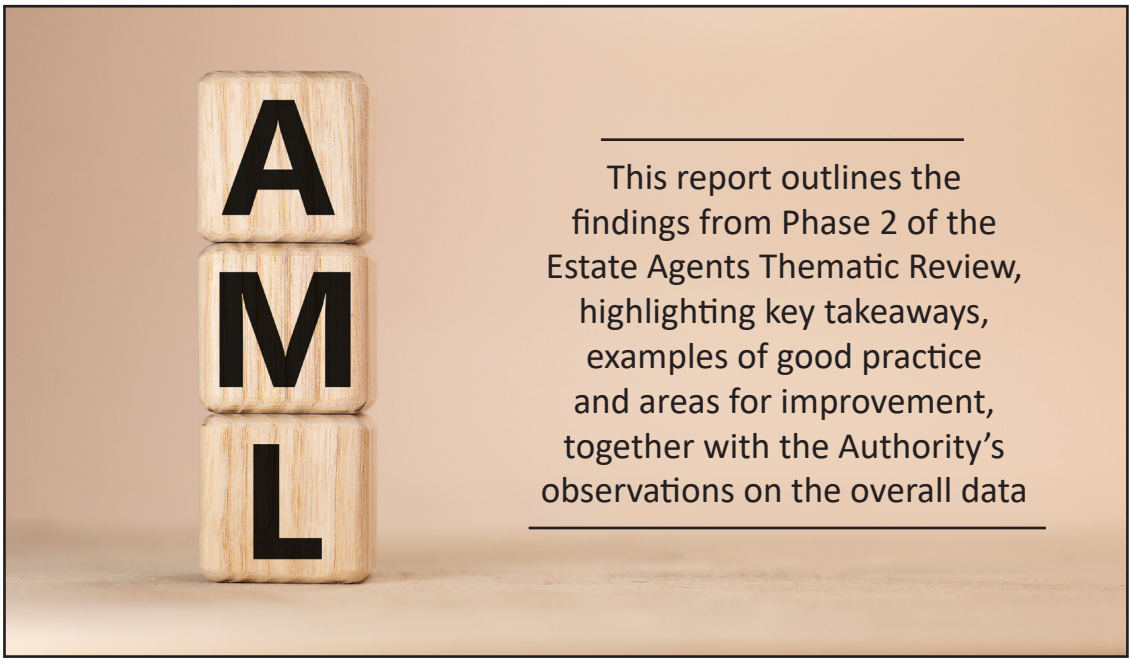
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2 Glossary of terms

<u>TERM</u>	<u>MEANING IN THIS REPORT</u>
AML/CFT	Anti-Money Laundering/Countering the Financing of Terrorism
Authority	The Isle of Man Financial Services Authority
BRA	Business Risk Assessment
CDD	Customer Due Diligence
Code	Anti-Money Laundering/Countering the Financing of Terrorism Code 2019
CRA	Customer Risk Assessment
DBRO	Designated Businesses (Registration and Oversight) Act 2015
FIU	Isle of Man Financial Intelligence Unit
Handbook	The AML/CFT Handbook
ML/FT/PF	Money Laundering/Financing of Terrorism/Financing of Proliferation
NRA	National Risk Assessment
PEP	Politically Exposed Person
Relevant Person	Means a person carrying on business in the regulated sector included in paragraphs 2(6)(a) to (t) of Schedule 4 to the Proceeds of Crime Act 2008
Registered Person	Means a person registered under section 9 of the Designated Businesses (Registration and Oversight) Act 2015
SAR	Suspicious Activity Report
SOF	Source of Funds
SOW	Source of Wealth

3 Background

3.1 Executive Summary

The Authority has concluded a thematic project involving estate agents on the Island who are registered to carry out those activities outlined in Schedule 1 to the Designated Businesses (Registration and Oversight) Act 2015.

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 includes 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 both a firm and sector level.

The planning for the thematic project began in early 2024 and the background was shared in a [public statement, released on the Authority’s website, in April 2024](#).

The thematic exercise was made up of two core phases. Phase 1 of the thematic consisted of a questionnaire issued to all 20 registered estate agents¹, with the results of Phase 1 detailed and analysed within the [Phase 1 Thematic Report issued in August 2024](#).

Phase 2 of the project consisted of 12 on-site thematic inspections, with the final on-site inspection taking place in March 2025.

This report outlines the results from Phase 2 of the project, highlighting

key takeaways, any areas of both poor and best practice observed, as well as the Authority’s observations on the overall data and findings from the project. The aim of the project was to gain further insight into the sector through the collection of information and data, and further the Authority’s understanding of the sector’s compliance with the AML/CFT Code, to that end it involved close collaboration with the estate agency sector. We would like to thank all the firms involved in participating in the completion of this thematic.



¹ As at 11 April 2024

3.2 Phase 1 Data Analysis and Phase 2 Selection

Initially, in order to select those firms which would be included the thematic exercise, existing data that was held on all registered estate agents was analysed and considered. Each registered estate agent was considered by analysis of the following:

- AML/CFT annual statistical returns;
- full inspection history; and
- any compliance meetings held.



All 20 of the Island’s registered² Estate Agents were selected for Phase 1. Following the completion of the Phase 1 Questionnaire, the responses were analysed along with

the initial data points³ to select a cohort of firms to be involved in the on-site thematic inspections. Following this analysis of Phase 1 and other supervisory factors, a total of 12

firms were selected to form Phase 2 of the project, to obtain an indicative picture across the sector and to enhance the Authority’s understanding and data of the sector overall.



3.3 Scope

The overarching objective of the on-site inspections was to establish the AML/CFT compliance arrangements in place for each firm to determine if those arrangements adequately demonstrated the implementation of the requirements included within the Code, taking into account the vulnerabilities of estate agents as identified by the NRA.

This primary objective translated into four core objectives of the on-site thematic work, namely:

OBJECTIVE 1	Reviewing the Business Risk Assessment and any associated procedures and controls in accordance with paragraph 5 of the Code, and assessing their application and effectiveness.
OBJECTIVE 2	Reviewing the Customer Risk Assessment template, procedures and outputs in accordance with paragraph 6 of the Code, assessing its effectiveness in practice through the review of a sample of customer files.
OBJECTIVE 3	Reviewing the on-boarding procedures and controls to assess compliance with paragraph 8 of the Code, and to assess the effectiveness of them in practice through the review of customer files.
OBJECTIVE 4	Reviewing the policies and procedures in relation to staff training, against the requirements of paragraph 32 of the Code. This included a review of the training register to assess what had been undertaken in practice to determine whether or not the requirements of the Code and internal policies and procedures had been met.

Paragraphs 4, 11, 12, 13, 14 and 15, and other pertinent paragraphs of the Code, were also considered, where relevant.

² As at April 2024
³ AML/CFT annual statistical returns and full engagement history
^{*} It is important to note that estate agents are not necessarily involved in or handle the financial transactions of sales

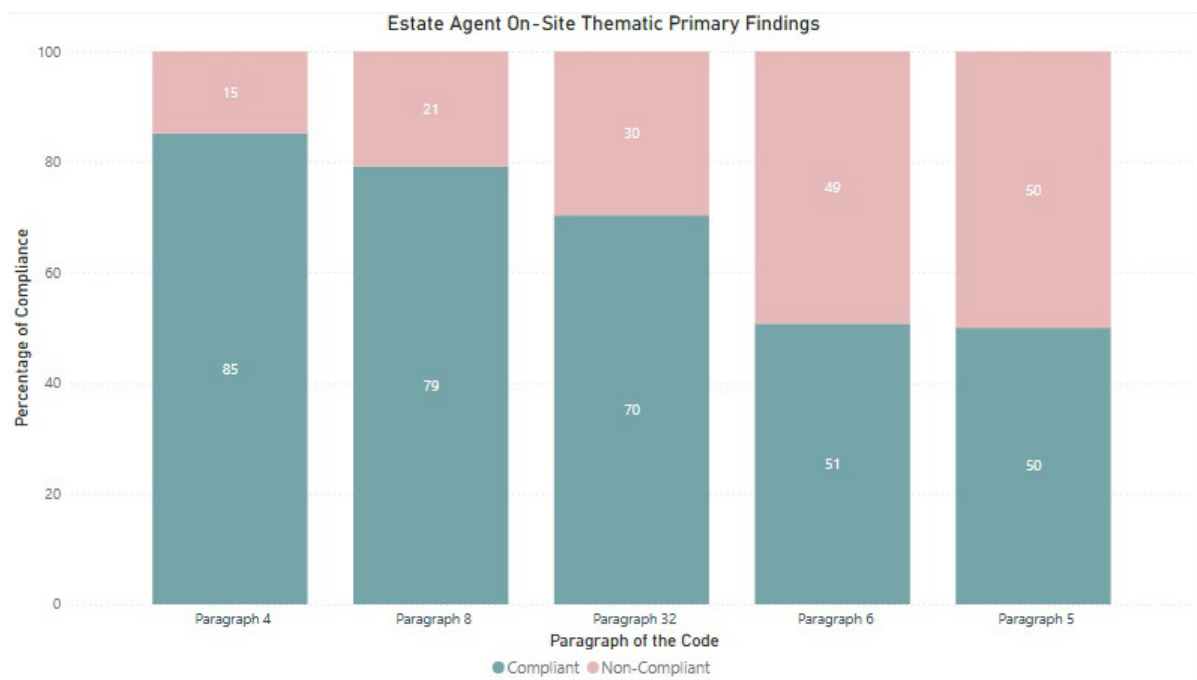
4 Phase 2 Inspections

4.1 Overall Results and Key Findings

Detailed analysis of the results and outcomes from the thematic project in relation to the 4 main objectives are analysed within sections 4.2 to 4.6 of this report.

Upon analysis of the outcomes from the on-site inspections, by way of the inspection reports produced, the Authority has noted for the 12 inspections carried out,

that the most common contraventions of the Code were in relation to paragraph 5, business risk assessment (“BRA”), and paragraph 6, customer risk assessment (“CRA”). Overall, the Authority’s officers observed a number of trends from the project, with firms differing in the level of detail or regard given to the various factors required by the Code.



4.2 Objective 1: Business Risk Assessment

The first primary objective of the Estate Agents Thematic was to assess firms’ compliance with paragraph 5 of the Code, the BRA. A firm’s approach to assessing its exposure to, and mitigation of, ML/FT/FP risk is the necessary foundation in the assessment and combatting of financial crime. The BRA should be a living document, enabling the relevant person to inform their procedures and controls to address perceived risks and threats, encompassing data and outcomes of the other relevant risk assessments, such as of customers, the Island, or sector.

Section 2.2.8 of the Handbook

“The BRA should form the basis of a relevant person’s risk-based approach and its risk appetite, making clear the types of risk and the risk level the relevant person in prepared to accept. It is the necessary foundation for determining the nature and extent of the AML/CFT resources and should be used to inform the policies, procedures and controls to mitigate ML/FT risk, including decisions on the appropriate level and type of CDD



to be applied in specific situations to particular types of customers, products, services and delivery channels.”

Although those firms involved in Phase 2 had undertaken and recorded a BRA, the nature and scope of the BRA was often outside of the bounds of the Code’s financial crime requirements. This usually assessed other pertinent risks to the firm (e.g. operational risks or physical security risks). This is permitted; however firms must consider each requirement of paragraph 5(3) of the Code when undertaking the BRA.

It was observed that, in a majority of cases, the BRA documents served to provide guidance on the types of

risks and the methods for mitigating or approaching those risks. Whilst mitigation is a vital part of the risk assessment process, the overall risk assessment should consist of:

- the inherent risks and threats.
- the mitigation(s) and controls that are in place; and
- the residual risk that is presented to the business.

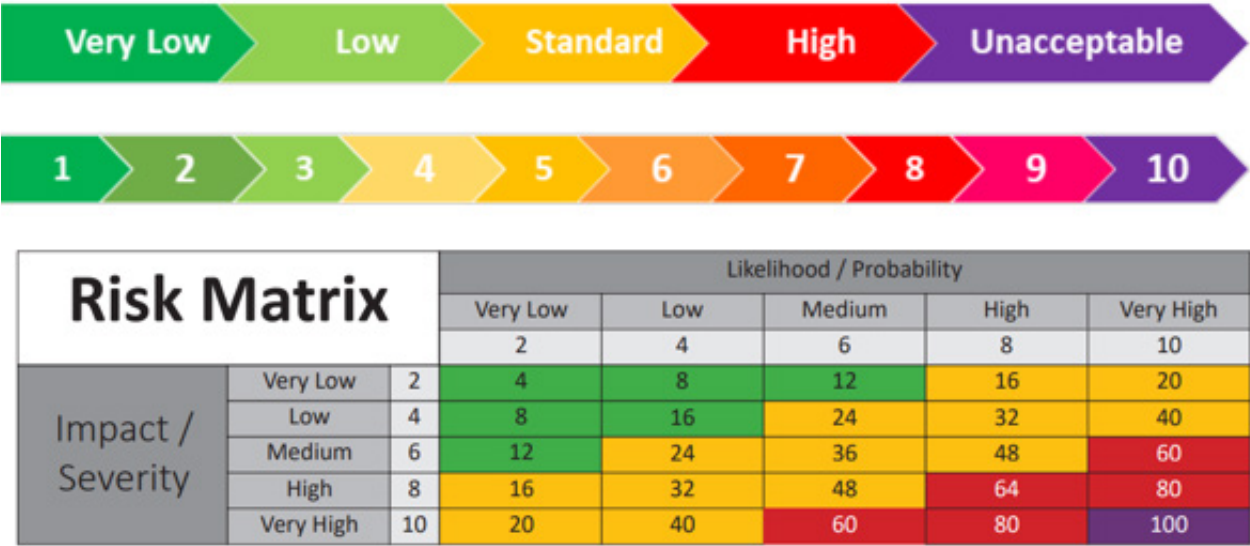
This approach should be clearly documented and have a granular assessment of each risk faced by the

business, and the BRA should present an outcome that can be summarised in order to give an overall risk rating of ML/FT/FP risk posed.

It is important to note that the contraventions identified in relation to this paragraph of the Code refer to the efficacy of the BRA in displaying the firm’s understanding, consideration, and approach to various risks.

An effective way to categorise and evaluate a risk is by considering its likelihood or probability against its potential impact and severity.

A useful tool for doing so is a risk methodology or matrix, such as the example presented below:



Using such a matrix to quantify risk and thereafter producing a summary of the scoring and outcomes from the BRA within a conclusion, is an identified best practice for demonstrating compliance with paragraph 5(1) of the Code

Paragraph 5(2) – BRA – Positive Takeaways:

- ✓ Firms showed a high level of diligence in recording and maintaining their BRAs.
- ✓ Awareness of compliance requirements was strong, reflecting commitment to regulatory standards.
- ✓ The sector demonstrated proactive engagement with regulatory expectations.

5(2) The business risk assessment must be —

(a) undertaken as soon as reasonably practicable after the relevant person commences business;

(b) recorded in order to demonstrate its basis; and

(c) regularly reviewed (details of any review must be recorded) and, if appropriate, amended so as to keep the assessment up-to-date.

The sector demonstrated proactive engagement with regulatory expectations



Learning points

Paragraph 5(2) – BRA – Learning Points:

- Version control inclusion and detail was a notable area for improvement in most BRAs.
- Some firms needed to implement an expanded version control, while others needed to implement it entirely.

- Lack of comprehensive version control impacts compliance with paragraph 5(2)(c) of the Code.
- Firms should avoid backdating or erasing BRA approvals, to ensure reviews and amendments are fully documented. The below is a best practice example of a version control:

Version Control - Best Practice (Anonymised Example)

Version	Reviewer / Updater	Reviewer Role	Reviewer Date	Amendment	Approver	Approver Role	Approver Date
1.0	Jane Kelly	Head of Compliance	01/06/15	Annual review: updates sections 1, 8 & 16	James Kneale	Director	02/06/15
1.1	John Quayle	Compliance Officer	01/08/15	Amendment regarding customer base in sec. 9	Jane Kelly	Head of Compliance	04/08/15
2.0	Jane Kelly	Head of Compliance	01/06/16	Annual review: small amendments throughout	James Kneale	Director	03/08/16

All the risk factors prescribed in paragraph 5(3) of the Code must be fully considered, assessed, and mitigated as appropriate, with the analysis clearly documented and articulated within the BRA. During the on-site element of this thematic exercise, the Authority's officers saw mixed levels of compliance in relation to paragraph 5(3) of the Code.

Paragraph 5(3)(a) - BRA

Paragraph 5(3)(a) of the Code stipulates that the BRA must document considerations of the nature, scale and complexity of the relevant person's activities. The Authority's officers observed that 36% of firms made appropriate consideration of these factors in their BRA.

5(3) The business risk assessment must have regard to all relevant risk factors, including —

- (a) the nature, scale and complexity of the relevant person's activities;
- (b) any relevant findings of the most recent NRA relating to the Island;
- (c) the products and services provided by the relevant person;
- (d) the manner in which the products and services are provided, including whether the relevant person meets its customers;
- (e) the involvement of any third parties for elements of the CDD process, including where reliance is placed on a 3rd party;
- (f) CRAs carried out under paragraph 6; and
- (g) any TRA carried out under paragraph 7.



Learning points

Paragraph 5(3)(b) – BRA – Learning Points:

- While most firms' BRA mentioned the NRA, only a third properly incorporated its findings and vulnerabilities.
- A brief mention of the NRA is insufficient; detailed consideration and awareness is expected.
- Firms should include relevant sectoral and topical NRAs in their BRA upon publication or at the next formal review.



Learning points

Paragraph 5(3)(f) – BRA – Learning Points:

- Firms must consider their CRAs (conducted under paragraph 6 of the Code) as part of their BRA. This includes outcomes, any statistics and findings of the CRAs, the firm's customer base, and CRA process as a whole.
- Overall, the Authority's officers found that those firms involved in Phase 2

did not meet the expected level of detail in this assessment.

- Compliance requires analysing risks, existing mitigations, and residual risks based on CRA statistics, and trends within the customer base.
- Special focus should be placed on higher-risk relationships and the proportion they represent within the whole customer base.

4.3 Objective 2: Customer Risk Assessment

The second objective of the thematic exercise was to assess firms' compliance with paragraph 6 of the Code, which requires a relevant person to carry out a CRA that estimates the ML/FT/FP risks posed by the customer, that such assessment is recorded

in order to demonstrate its basis, and that such assessment is revisited in order to ensure that it is up to date.

Paragraph 6 of the Code thereafter lists specific factors that must be considered in the CRA.

The Handbook provides further information and guidance to help relevant persons in meeting their obligations, with section 2.2.9 offering further guidance on carrying out CRAs required under the Code.



Learning points

Paragraph 6 – CRA - Learning Points:

- Many firms fail to properly assess ML/FT/FP risks in their CRAs.
- Some CRAs only record customer data (e.g., name, income, location) without integrating it into an assessment of risk.
- CRAs are often treated as tick-box exercises, with insufficient assessment before assigning risk ratings.

- Some firms complete a single CRA for both buyer and seller, instead of treating them as separate customers. Some firms failed to complete CRAs before signing terms of agency with customers.
- While identity verification may have timing flexibility, CRAs must be completed before establishing a business relationship or conducting transactions.

Paragraph 6 – CRA - Best Practice:

- Firms should ensure all ML/FT/FP risks are explicitly assessed and documented in all CRAs.
- CRAs must go beyond customer information collection and include proportionate risk mitigation strategies.
- Calculated risk rating methodologies improve accuracy by evaluating different risk factors separately.
- Using weighted assessments for



Best practice

specific risk sections enhances risk management effectiveness.

- Firms should ensure clear, updated narratives in CRAs to demonstrate a deeper understanding of risk. Firms should conduct scheduled and ad-hoc reviews of CRAs, aligning with internal procedures and controls.
- CRAs must be updated as business, customer, or external risk factors change.
- Updates to CRA procedures should integrate new insights from TRAs and BRAs.

When risk assessing a customer as required by paragraph 6 of the Code, it is important that all the risk factors prescribed in paragraph 6(3) of the Code are fully considered, with such consideration assessed, and mitigated as appropriate, with the analysis clearly articulated and recorded within the CRA. However, this list is non-exhaustive, and firms may also consider further, relevant risk factors in their assessment of the ML/FT/FP risks posed by the customer.

As mentioned in section 3.3 of this report, in a number of instances, firms did not document the outcomes of the CRA in the BRA, and likewise did not reflect the conclusions of the BRA in the CRA, or make reference to the BRA in the CRA procedure. This is required in line with paragraph 6(3) (a) of the Code and as such, firms should identify and document the ML/FT/FP risks and vulnerabilities associated with the firm’s unique




6(3) The customer risk assessment must have regard to all relevant risk factors, including —

- (a) the business risk assessment carried out under paragraph 5;
- (b) the nature, scale, complexity and location of the customer’s activities;
- (c) the manner in which the products and services are provided to the customer;
- (d) the risk factors included in paragraph 15(5) and (7);
- (e) the involvement of any third parties for elements of the CDD process, including where reliance is placed on a third party;
- (f) any risk assessment carried out under paragraph 9(4); and
- (g) whether the relevant person and the customer have met during the business relationship, or its formation, or in the course of an occasional transaction.

business, customers, products and services. For example, if the BRA details that a certain product or service provision presents a higher risk, this should be reflected in the

CRA risk methodology, by applying a higher risk rating to that factor. As a result, only a third of firms were found to be in compliance with this requirement of the Code.

Paragraph 6 – CRA – Positive Takeaways:

- 
 - Strong compliance in customer activity assessments – 50% of firms appropriately recorded and evaluated customers’ activities in line with paragraph 6(3)(b) of the Code.
- 
 - Effective use of rationale boxes – firms that included comments or explanations in their CRAs demonstrated clear understanding of customer risk profiles.
- 
 - Improved awareness of service delivery risks – a number of firms successfully incorporated an assessment of how products and services are provided (paragraph 6(3)(c) of the Code).



Learning points

Paragraph 6 – CRA – Learning Points:

- Lack of formal documentation – many firms showed they could articulate verbally a strong knowledge of customer risks but failed to record their assessments properly, leading to non-compliance.
- Gaps in service delivery assessments
 - only 42% of firms met the requirements for evaluating the manner in which product and service were provided.
- Insufficient narrative in CRAs – some firms failed to provide a detailed assessment or narrative surround the CRA, or omitted this.

Firms that included comments or explanations in their CRAs demonstrated a clear understanding of customer risk profiles

The Handbook provides guidance on this matter in section 2.2.9.2, stating that:

“This aspect of the Code concerns how the business relationship/occasional transaction is concluded. It covers such issues as:

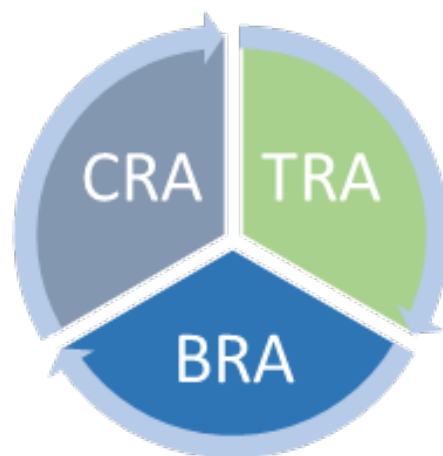


- The extent that the business relationship is conducted non-face-to-face
- Whether introducers or intermediaries are used and the nature of use
- Whether the customer themselves may be an undisclosed intermediary for a third party
- Where products, services or payments are to be provided to or from third parties
- The way technology is used in delivering products and services”

A point of good practice that was observed by the Authority’s officers was the explicit description of the firm’s approach to providing services in the BRA.

After stipulating that business was only done on a face-to-face basis and assessing this risk in the BRA, this was also noted in the firm’s procedures, and thereafter a note was also contained in the CRA for each individual customer ensuring that the face-to-face nature of the relationship was appropriately documented and risk assessed.

This reinforced the cyclical nature of the BRA, TRA and CRA, clearly evidencing that the outcomes of each influence the other.



Paragraph 6 – CRA – Positive Takeaways:



- A dedicated higher-risk factors section in the CRA helps firms systematically assess and address elevated risks.



- Senior management/MLRO involvement in customer acceptance decisions provides appropriate oversight and signoff, especially for relationships with PEP connections.



- Firms that do not utilise introducers demonstrate compliance by documenting this in their BRA, CRA and internal procedures.



Learning points

Paragraph 6 – CRA – Learning Points:

- Many firms failed to assess the risks presented by third parties and introducers, leading to non-compliance with paragraph 6(3)(f) of the Code.
- Firms that utilise introducers must incorporate a clear risk assessment

in the CRA, as required by paragraph 9(4) of the Code.

- Some firms lacked explicit recording of deviations from their usual approach in handling introducers, which undermines the firms approach to compliance.

Overall, while several firms demonstrated strong risk assessment practices, including structured CRA evaluations and senior oversight for higher-risk customers, there were significant gaps in assessing risks

related to third parties and introducers. Firms must ensure thorough documentation and compliance with the relevant Code provisions to maintain regulatory standards.

4.4 Objective 3: New Business Relationships

The third primary objective of the Estate Agents Thematic was to assess firms' compliance with paragraph 8 of the Code, new business relationships. A firm's approach to onboarding new business is an important process in combatting financial crime.

During the on-site fieldwork the Authority's officers observed that, where appropriate policies and procedures were in place, firms universally applied their internal controls in the appropriate time-frame specified by the Code.

When assessing compliance with paragraph 8(3)(b) of the Code, the

Authority's officers noted instances of either documents not being on file, or in cases where documents were collected, being either unclear or insufficient for their purpose.

A particular area for improvement that was observed by the Authority's officers was in relation to compliance with paragraph 8(3)(e) of the Code, which requires firms to take reasonable measures to establish the SOF for the relationship.

The concept of SOF is twofold, including both the bank account from where the funds originate, and also the underlying activity which has generated the funds.



It is particularly important for Estate Agents to understand the **source of funds** in an occasional transaction, as relationships of this nature are not subject to ongoing monitoring.

However, it was noted that firms frequently would only record one aspect of the SOF information, leaving a key area of improvement across the cohort.

SALES

SOF for Sellers:

Estate Agents must take reasonable measures to establish the SOF used to purchase the property that is now being placed on the market for sale.

Where the purchase of the property was fully or partially funded by a mortgage/ other lending instrument, the Estate Agent should take reasonable steps to establish who the lender was.

The Estate Agent should also take reasonable measures to establish the SOF of any deposit used to fund the purchase.

SOF for Buyers:

The Authority expects Estate Agents to establish the SOF that is being used to purchase the property that is on the market.

Where the purchase is fully or partially being funded by a mortgage/ other lending instrument, the Estate Agent should take reasonable steps to establish the who the lender is and the SOF of any deposit used.

LETTINGS

SOF for Landlords:

The Estate Agent must take reasonable measures to establish the SOF used to purchase the property that is being let e.g. establishing the lender used and the SOF of any deposit used.

SOF for Tenants:

Estate Agents must take reasonable measures to establish the SOF of the rent that is being received e.g. salary from employment as a teacher.

For tenants, as funds are being received by the Estate Agent, the means through which the funds are transferred must also be established.



Areas for improvement

Paragraph 8(3)(e) - Areas for improvement

- Definition of SOF in procedures does not match that of the Code (does not consider the activity)
- SOF not established for seller, buyer, landlord or tenant

- SOF being established for affordability purposes rather than to assess any ML/FT risks
- SOF being obtained verbally by the firm, however, this not being recorded within the customer file e.g. through a file

Another key observation by the Authority's officers in relation to firms' obligations under paragraph 8 of the Code was that firms would often not meet the requirements of paragraph 4(1)(a)(ii) of the Code. Where the firm's proce-

dures dictate a sanctions screening schedule for customers at prior to establishing the business relationship, this was either not upheld, or was undertaken later than detailed in the procedures, resulting in non-compliance.

Paragraph 8 – New Business Relationships – Positive Takeaways:



- Customer application forms in place detailed customer information, and asked KYC and CDD questions, such as if the customer is a PEP.



- Obtaining and documenting the reason(s) for, and nature of, sales.



- Instances where firms had well-documented policies and procedures – e.g. vetting guides / CDD requirements for different types of customers.

4.5 Objective 4: Staff Training

The fourth primary objective of the Estate Agents Thematic was to assess firms' compliance with paragraph 32 of the Code, staff training. AML/CFT staff training and education is vital for awareness and combatting financial crime.

- AML/CFT education and training must make staff aware of:
- The AML/CFT legislation;
- The individual's personal obligations;
- The firm's disclosure / reporting procedures and controls;
- The firm's AML/CFT procedures and controls;
- The recognition and handling of unusual activity and suspicious activity;
- The personal liability for failure to report; and
- The new methods and develop-

ments, including information on current techniques, methods and trends in ML/FT/FP.

76%

Compliance with paragraph 32

32(1) A relevant person must provide or arrange education and training, including refresher training, at least annually, for —

- (a) all officers;
- (b) any other persons involved in its senior management; and
- (c) appropriate employees and workers.



Estate Agents - specific red flags

- Property transactions involving numerous and/or higher-risk jurisdictions.
- The proceeds of rental are sent to a higher-risk jurisdiction or a third party.
- Property sales involving large amounts of cash.
- Property sales involving complex loan arrangements, credit finance, or other obscure means of finance.
- Property sales involving complex structures that may obscure beneficial ownership.
- Unexplained use of virtual assets.
- Where a property which was sold previously is re-marketed following renovation without clear rationale and source of funding.



Guidance on making disclosures to FIU

Paragraph 27 of the Code details the obligations of the MLRO when making external disclosures.

The Authority strongly encourages that all firms and MLROs are signed up and actively use THEMIS where appropriate.

Further guidance can be found in the [Guidance for making SARs \(and Other Disclosures\) to the FIU](#).




4.6 Additional Findings and Observations

Generic Designated Business

During Phase 2 of the project, the Authority's officers observed instances whereby Estate Agents utilised the Generic Designated Business concession in line with paragraph 18 of the Code. Estate Agents may be able to utilise the concession where the conditions set out in paragraph 18 of the Code are met, and where they are not involved in any customer transaction, specifically:-

- not participating in a financial transaction on behalf of a customer; and
- not administering or managing a customer's funds with its own funds or other customer funds on a pooled bank account basis.

It is important to note that the use of any concession is optional, and it is for the relevant person to determine whether they wish to make use of the concession in any case. Such determinations must be sensitive to the ML/FT/FP risks and mindful of the overarching requirement that the relevant person is able to manage



Learning points

Paragraph 18 – Generic Designated Business – Learning Points

- Instances identified whereby relevant persons did not establish, record, operate and maintain procedures and controls in relation to the concession.
- Where policies and procedures were established, some instances were found where the procedures and controls lacked detail, for example not detailing in what instances the concession is utilised/ how often.
- Not recording within the customer file/CRA that the concession has been utilised or applied.
- Lack of recording and understanding of those customers where the concession has been utilised.

and mitigate their ML/FT/FP risks.

Where this concession is being utilised, relevant persons must ensure that the conditions in paragraph 18(3) have been met. It is vital that the relevant person has established, recorded, operated and maintained procedures and controls in relation to any concession(s) utilised or applied.

The relevant person should also ensure they record the number of instances where a concession is utilised, and it should be clear within the relevant customer files where a concession has been applied, for example within the CRA undertaken. This will assist with the firm's own risk assessments and also aid completion of the Authority's AML/CFT/CFP Statistical Return.

18 Generic designated business

(1) If each of the conditions in sub-paragraph (3) are met and the relevant person is conducting generic designated business, verification of the identity of a customer is not required to be produced for —

(a) a new business relationship in accordance with paragraph 8(3)(b) and (c); or

(b) an occasional transaction in accordance with 11(3)(b) and (c).

(2) If each of the conditions in sub-paragraph (3) are met paragraph 12(2)(a)(ii) ceases to apply.

(3) The conditions referred to in sub-paragraphs (1) and (2) are that the relevant person —

(a) has identified the customer and has no reason to doubt that identity;

(b) has not identified the customer as posing a

higher risk of ML/FT;

(c) knows the nature and intended purpose of the business relationship or occasional transaction;

(d) has not identified any suspicious activity; and

(e) has taken reasonable measures to establish the source of funds in accordance with paragraph 8(3) (e).

(4) In this paragraph — “generic designated business” for the purpose of this paragraph means designated business carried on by a relevant person where the relevant person —

(a) does not participate in financial transactions on behalf of a customer; and

(b) does not administer or manage a customer’s funds, with its own funds or other customer’s funds, on a pooled bank account basis.

Record Keeping, Retention, Format and Retrieval

Paragraphs 33 and 34 of the Code specify requirements for record keeping and record retention, respectively. During the on-site fieldwork, an instance was identified whereby the firm destroyed documentation held on file in relation to a landlord customer, 4 years following the relationship ending. In line with the Code, firms should ensure that records and documentation required by the Code are kept for 5 years from the date the business relationship formally ended or occasional transaction was concluded⁴. Where records are kept in the form of hard copies, firms must ensure that they are capable of retrieving these records without

undue delay, per paragraph 35 of the Code.

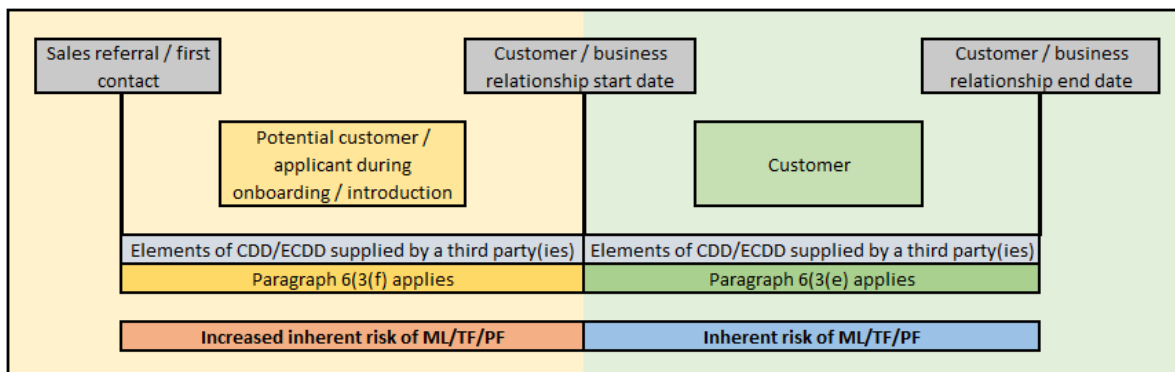
Introducers

The Authority’s officers also noted areas for improvement in relation to the implementation of paragraph 9 of the Code. This paragraph of the Code concerns introduced business and understanding the additional risk that can be presented in a relationship by the involvement of an introducer. It was found in two separate cases that introduced business was not appropriately recognised, leading to non-compliance with paragraph 9 of the Code. Below is a brief, quick-reference guide to the where a person may be considered a Sales Referral, Introducer or a Third-Par-

ty, with further information being provided in the Handbook.

Sales Referral, Introducer and Third-Party split –

- Someone who bring the customer’s business to the firm (e.g. a **Lawyer**) is considered a **Sales Referral**
- Someone who provided elements of CDD during the introductory stage while on-boarding (e.g. a **Family Office**) is considered an **Introducer – 6(3)(f) applies**
- Someone who provides elements of CDD after on-boarding (e.g. **an Accountant**) is considered a **Third Party - 6(3)(e) applies**



⁴ Or longer where paragraph 34(5) of the Code applies

4.7 Summary and Conclusion

The observations, findings, recommendations, and best practices identified within this report should be considered, and where relevant, implemented by all relevant persons in order to assist demonstrating compliance with the Code.

The Authority reiterates that compliance with the Code is mandatory, and all relevant persons should use the range of resources available to assist in complying with the requirements of the Code, including the Handbook, sector specific guidance, webinars, reports, and public statements the Authority issues and publishes.



LEGISLATION AND GUIDANCE	WEB LINKS
The Anti-Money Laundering and Countering the Financing of Terrorism Code 2019	Link
The Anti-Money Laundering and Countering the Financing of Terrorism Handbook February 2025	Link
Supplemental Information Document July 2021	Link
The Isle of Man Financial Services Authority AML/CFT Requirements and Guidance webpage	Link
The Isle of Man Financial Services Authority Webinars webpage	Link
Sector Specific AML/CFT Guidance – Estate Agents	Link

OTHER AML/CFT/CPF THEMATIC REPORTS	WEB LINKS
Sanctions Thematic - Phase 2 - May 2025	Link
Sanctions Thematic - Phase 1 - December 2024	Link
Moneylenders CDD/ECDD Thematic - Phase 1 - September 2024	Link
Proliferation Financing - Phase 1 - August 2024	Link
Estate Agents Thematic - Phase 1 - August 2024	Link
Accounting Profession CRA Thematic - July 2024	Link
TCSP BRA Thematic - Phase 2 - January 2024	Link
TCSP BRA Thematic - Phase 1 - July 2023	Link
Foreign PEP Thematic - Phase 1 and 2 - May 2023	Link



ISLE OF MAN FINANCIAL SERVICES AUTHORITY

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