Welcome to the first edition of the FSC’s news update for licenceholders.

Licenceholder News gives a short overview of recent initiatives and events which are of interest to and impact upon our licenceholders. As this is the first edition the news items include some key matters from 2010. Future editions will be issued as and when required.

Topics in this issue

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- Fiduciaries update
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- Authorisations and licensing
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General Supervision update

Compliance support - The compliance support area of the FSC website will help licenceholders, particularly smaller licenceholders, comply with their regulatory requirements. This includes template registers for breaches, complaints and conflicts of interest.

Corporate governance - We have recently issued guidance on licenceholder Corporate Governance (non-bank / bank).

Supervisory visits - A new lean supervisory visit process has been introduced to make the most effective and efficient use of resources. The new visit reports include colour coded ratings for breaches identified during visits. The process will reduce time taken for the visit report to be finalised and issued and will enhance supervision.

Update to the Supervisory Approach – The Supervisory Approach has been updated. In future we will make more use of online questionnaires on relevant topics and will facilitate more online submissions of information.

Banking update

Supervisory Plan 2011 - The core themes for this year’s onsite inspections are corporate governance, complaints handling and the treatment of deposits by banks with agreed behavioural adjustments to short term deposit liabilities. Corporate governance visits will focus on banks incorporated in the Isle of Man; complaint handling will focus on banks with a material retail customer base. Feedback from the visits will be issued in due course.

The team is undertaking a few credit risk and treasury & liquidity onsite inspections, to complete its core themed reviews of 2010.

Banking Statistics - The FSC has just released a new style statistical bulletin showing key trends and positions for the banking sector in the Island. The bulletin will be issued on a quarterly basis going forward and can be viewed on the FSC’s website.

Banking Guidance Notes – We have recently issued updates to guidance notes for banks. The updated guidance notes are available in 3.1 of the banking handbook on the FSC’s website.

Fiduciaries update

Themed visits with questionnaires - The fiduciaries team have successfully introduced a new focus visit procedure. All licenceholders scheduled for a focus visit now complete a pre-visit questionnaire about their client base, risk based approach, ongoing monitoring, corporate governance and maintenance of registers.

We undertake one day onsite visits on about half of the respondees. These visits assess client files and sample check information provided in response to the themed visit questionnaire.

The FSC has had positive feedback on the process from licenceholders.

Professional Officers - The team has held annual briefing sessions on the updated Financial Services Rule Book for Professional Officers and completed the first cycle of compliance visits.
Visit findings - The team has provided detailed feedback on visit findings through biannual industry presentations and regular liaison with the Association of Corporate Service Providers.

Funds and investment services (“FIS”) update

Retail Distribution Review (“RDR”) – An update was issued in March 2011 on our approach to RDR. Affected licenceholders should consider this update and any further updates issued in due course.

Step by step guidance for financial advisers - Following amendments to the Rule Book which came into operation on 1 January 2011, the “Step by Step” guidance is being updated. All financial advisers should familiarise themselves with this document when issued.

Guidance relating to Funds – Guidance has recently been issued in a number of areas including Valuation & Fee Charging, Limited Liability Partnerships and Funds, Managed Accounts, UCIT outsourcing, trading platforms and a schematic of IOM fund types.

Authorisations and licensing

In December 2010 a new licensing process was introduced for certain functionaries of schemes. Under this graduated manager licensing process the licence is considered in two phases.

AML/CFT and sanctions

AML/CFT News - The Anti-Terrorism and Crime (Amendment) Bill has completed its passage through the House of Keys and Legislative Council and now awaits Royal Assent.

Sanctions - sanction information is posted as Latest News on the FSC website, e.g. Libya.

Middle East Situation - The FSC has issued specific advice on the current Middle East situation.

Current consultations


Schemes regime – The FSC is progressing some minor changes to EIFs and Recognised Schemes.

Banking - International banking developments will continue to be a key focus this year. The FSC is already consulting with banks on proposed changes to its large exposures regime in respect of intra-group exposures, and expects to be in a position to provide a formal update on its approach to Basel III in the summer / autumn.

Recent legislation

Regulatory Fees - In force 1 April 2011 link

The annual review of the regulatory regime and Rule Book -
- Rule Book from 1 January 2011
- Regulated Activities Order from 1 January 2011
- Financial Services (Exemptions) Regulations from 1 January 2011
- Civil Penalties Regulations from 1 January 2011

Authorised Collective Investment Scheme Regulations 2010 - In force 1 January 2011. These regulations ensure that Authorised Schemes remain equivalent to UK retail schemes.

Collective Investment Schemes (Regulated Fund) Regulations 2010 - In force 1 May 2010. The regulated fund bridges the gap between unregulated and wholly retail funds. The fund can be listed on the Irish Stock Exchange without the requirement for a minimum investment of €100k.

Reissue of the Funds regime under the Collective Investment Schemes Act 2008 – the updated regulations came in to force 1 May 2010. Full details can be found in the funds area of the FSC website.

Staff news

Seán Flanagan has been named the Compliance Register’s UK & British Isles Regulator of the Year 2010.

Dates for the Diary

The FSC’s annual Anti-Money Laundering & Financial Fraud Conference will be held at the Palace Hotel, Douglas, on Tuesday 10 May 2011.