Welcome to the 2nd edition of the FSC’s news update which gives a short overview of recent initiatives and events which are of interest to and impact upon our licenceholders. Topics in this issue –

- Annual Report
- General Supervision update
- Banking update
- Fiduciaries update
- Funds and investment services update
- AML/CFT, public warnings and sanctions
- Authorisations and licensing
- Consultation
- Legislation

**Annual Report**

The FSC has published its Annual Report for the year 2010/11. The Report aims to provide a transparent account of the Commission’s work across its areas of responsibility.

**General Supervision update**

**Annual Compliance Returns** - The FSC would like to thank licenceholders for their positive response to reminders about submission of annual compliance returns and financial statements for those with December year ends. A significant number of returns were filed well in advance of the 30 April deadline. As a result, we were able to assist licenceholders to remedy accidental omissions – preventing rule breaches. However, most financial returns were still received close to the deadline. The accuracy and completeness of returns was greatly improved - in 2011 only 7 civil penalties were levied, compared to 23 in 2010.

**Recruitment risk themed questionnaire** - The recruitment risk themed questionnaire issued on 13 April 2011 had a 100% response rate; a sample of respondents will be invited to a validation meeting. In due course a report will be issued highlighting best practice and areas for improvement.

**Rule Book Guidance** - The mid-year update to guidance on the Financial Services Rule Book has been issued. The main features relate to:

- preparing a conflicts of interest policy (rule 8.7);
- cross-referencing - Rule Book requirements for record-keeping (rules 8.24 and 8.25).

**Banking update**

**Basel III** – A meeting was held with the Jersey and Guernsey regulators on 11 July. It was agreed that a joint position paper will be issued to industry in the autumn.

**Themed visit feedback** – Feedback from the credit risk visits undertaken between October 2010 and May 2011 was issued to the Isle of Man Bankers’ Association and banks on 18 July 2011.

**Large exposures** – The consultations on large exposures ended on 31 March 2011 and 30 June 2011. Feedback has been issued to the Isle of Man Bankers’ Association and other banks who responded. We aim to issue draft rules and guidance in August 2011 for comment, for implementation from 1 January 2012.

**Fiduciaries update**

**Themed visits with questionnaires** - the new focus visit procedure is working well. The process aims to ensure that regulatory oversight is maintained with the most effective use of resources.

**Professional Officers** - the first cycle of visits has been completed and as a consequence of what emerged, a simplification of the Rule Book, as it applies to Professional Officers, is proposed from 1 January 2012. The annual Rulebook briefing will be arranged for later this year.

**Industry Liaison** - The Commission continues to liaise with the Association of Corporate Service Providers, holding quarterly meetings and providing appropriate feedback where necessary.
Funds and investment services update

Retail Distribution Review (RDR) - an RDR working party has been established with representatives from the FSC, FBIBA, PFS, CI, IOMBA and CISI. 2 meetings have been held (18 May & 11 July). A position paper on RDR was sent to affected licenceholders on 29 July 2011 and is available on the FSC website.

Authorisations and licensing

General Licensing Policy and associated documents have been reviewed to ensure they are relevant, up to date, useful and reader friendly.

Police forms on-line - The form authorising the FSC to request checks against the Police database is now available from our website. Proposed key persons should submit the completed police check form along with a Personal Questionnaire or Role Change Notification.

Payment Services became a regulated activity on 1 January 2011: 5 licence applications are now progressing through the licensing process.

AML/CFT, public warnings and sanctions

Updates to AML/CFT Handbook
15 April 2011 - section 4 and appendices G(a)&(b)
25 May 2011 - new Appendix A(b) and updates to Appendices C and G(a)

AML and Financial Fraud Conference - Click for presentations from conference on 10 May

Public Warnings
Zurich International Bank - Bogus emails
Mr Martins Arnold & Mr Green Ross - Advanced Fee Fraud
International Bank Vaults Courier Service - False IOM address

Sanctions Updates
1 April 2011 - Al Qaida and the Taliban
5 April 2011 - Libya & Egypt
13 April - Ivory Coast
20 April 2011 - Ivory Coast & Belarus
27 April 2011 - Libya
28 April & 3 May 2011 - Burma / Myanmar
20 May 2011 - Al Qaida and the Taliban
1 June 2011 - Syria
1 June 2011 - Iran and Ivory Coast

Consultation

Amendment Bill - Consultation on the high-level content of the Financial Services Act and Collective Investment Schemes Bill Amendment Bill has closed (summary of comments). The Bill is being drafted and will be consulted on in due course.

Review of Financial Services Legislation - The annual consultation on the review of the Regulated Activities Order, Financial Services (Exemptions) Regulations, and Financial Services Rule Book is underway. Proposed changes have been kept to a minimum: the majority affect Class 6 (e-money issuers) and Class 8 (money transmission services). The Financial Services (Fees) (Amendment) Order reflects changes proposed to Classes 6 and 8: fees for all Classes other than Class 8 remain the same. The Collective Investment Schemes (Fees) (Amendment) Order corrects an anomaly: it will not alter the level of fees payable by schemes.

Legislation


The Collective Investment Schemes (Recognised Schemes) (Offering Document) Regulations 2011 require Recognised Schemes to have equivalent offering documents to IOM Authorised Schemes (in force 1 July 2011).