

SECTION 6

E-COMMERCE AND REGULATION IN THE FINANCE SECTOR

The Commission is committed to applying international standards of regulation and supervision across all areas of its work, whilst also striving to maintain a level playing field with other jurisdictions. Indeed, its leadership in the regulation of offshore markets over many years has done much to enhance the Commission's reputation internationally.

The internet is a vitally important channel of distribution, especially for many Isle of Man institutions whose offshore clients can readily take advantage of the convenience provided by electronic commerce. The Electronic Transactions Act 2000, which came into force on 1st November 2000, provides an ideal platform for e-business to flourish on the Island, encouraging and facilitating the use of information technology by removing legal constraints affecting the use of electronic communications. Additionally, the pro-active stance of the [Isle of Man Government](#) - contained within the Report by the Council of Ministers on the Government's E-commerce Strategy is of great benefit to Island businesses.

Against this background, the Commission recognises that a key aspect of confidence in the Island's attractiveness as an e-commerce centre is the regulatory approach to existing licence holders who may be considering entering into e-business, and also to new e-business propositions.

In principle, the Commission's policy towards the licensing of banking, investment businesses and corporate service providers remains the same whether for e-business or traditional business. However, as a relatively new medium, e-commerce has resulted in a change in focus to some of the traditional supervisory risk areas. Broad risk categories remain unaltered, but their importance and impact has changed dramatically. An example of this is systems dependency and security risk. To an Internet-based business, these risks have assumed very great significance.

The Commission has produced guidance notes for licence holders and potential licence holders, which can be found at [Appendix \[I\]](#), and which provide further detail on some of the risk areas and other relevant areas to which any financial business contemplating using the internet ought to give careful thought.

The Commission will ensure that its regulatory approach is realistic and pragmatic, at the same time as taking full account of international standards as they continue to evolve.