Welcome to the 3rd 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 –

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

**General Supervision update**

**IT** - The FSC is in the process of upgrading its online reporting system for banks and others that submit periodic financial returns. The new website removes the IT management overhead of installing software and registering individual computers, with the aim of simplifying the overall reporting process and reducing costs. The upgrade will provide greater flexibility for licenceholders to manage access by users and signatories within their organisation. These changes provide a platform from which the FSC will further extend submission of data to it electronically, enhancing efficiency for both licenceholders and FSC staff.

The FSC is also working to extend the online reporting system to include notifications and statistical reporting for collective investment schemes. A presentation to affected licenceholders is planned for early in the New Year.

**Annual Compliance Returns** – Following an internal process review, the ACR is to be simplified. More information will follow soon.

**Foundations Act 2011** - Enabling measures have been incorporated into the Regulated Activities Order, Exemptions Regulations and the Rule Book to permit its licenceholders to provide relevant services from 1 January 2012.

**Costs of compliance** – The FSC recently invited suggestions on how the costs of compliance for smaller licenceholders could be reduced without reducing protection for customers.

**Recruitment risk** – Recommendations from the FSC’s survey into recruitment risk are that licenceholders should consider: the risks of allowing access to data before vetting is completed; the potential benefits of an application form; and the importance of clarifying with agencies what vetting has been undertaken.

**Data security** – The FSC has issued an online questionnaire on data security to a sample of 30 licenceholders and will circulate results in February 2012.

**Directors’ duties** - Updated guidance on directors’ duties and responsibilities was issued in August 2011.


**Banking update**

**24 & 25 November 2011** – Latest deposit base figures and quarterly banking statistics were published.

**Large exposures** – New rules come into force from 1 January 2012 and guidance to supplement these will be issued in draft form to banks before Christmas. Final guidance will be available from 1 January 2012.

**Basel III** – A joint position paper with Jersey and Guernsey is expected to be issued in the New Year.

**Themed visit feedback** – Feedback from the current visit topics (complaints handling and corporate governance) is expected to be issued in Q1 2012.

**Fiduciaries update**

**Themed visits with questionnaires** - the new focus visit procedure is working well and will continue into the next visit year. The process aims to ensure that regulatory oversight is maintained with the most effective use of resources.
Questionnaires – the FSC is currently focusing on PLCs and listed and quoted companies. The intention is to issue a questionnaire, in quarter one of next year, to licenceholders that provide services to such companies.

Industry Liaison - The FSC continues to liaise with the Association of Corporate Service Providers, holding quarterly meetings and providing appropriate feedback where necessary.

Professional Officers - the first cycle of visits has been completed and, as a result, the Professional Officers’ part of the Rule Book will be simplified from 1 January 2012. The Rulebook briefing held on 15 December will be repeated on 5 January 2012.

Funds and investment services update

Retail Distribution Review (RDR) - the RDR working party which includes representatives from the FSC, FBIBA, PFS, CI, IOMBA and CISI is now well established. It is hoped that further representation to cover stockbrokers and investment managers will be in place for future meetings. The FSC will be writing to licenceholders in the New Year to gather information about their strategy to ensure that all affected advisory staff will hold appropriate level 4 qualifications by 1 January 2014. The FSC position paper on RDR, which was sent to affected licenceholders on 29 July 2011, is available on the FSC website.

Alternative Investment Fund Managers Directive (AIFMD) – the team is working with the Policy Division and the Funds Development Group to consider the appropriate response to the AIFMD.

Industry Liaison - The FIS team continues to liaise with the Financial Planners and Investment Brokers Association (holding quarterly meetings) and to participate in the Funds Development Group.

Authorisations and licensing

Training and Competence framework - Following a number of minor revisions over the past few years, the FSC has undertaken a wholesale review of its Training and Competence Framework. The result is proposed changes to a number of sections including updates to the Core Competency table, an additional section on ongoing CPD requirements, removal of reference to “grandfathering” and updates to the list of commonly held, recognised qualifications. The updated document has been sent to the Isle of Man branches of relevant professional bodies as well as local industry representative groups for review prior to publishing. The deadline for comment is the middle of December and the expectation is that the updated framework will be published early in 2012.

AML/CFT, public warnings and sanctions

Updates to AML/CFT Handbook

30 November 2011 – including various sector-specific guidance and updates re FATF statements
1 September 2011 – Prevention of Terrorist Financing Code 2011, etc
13 July 2011 - Appendices G(a) and G(b), in connection with the FATF’s Public Statements, etc

Sanctions Updates
13 December 2011 - Al Qaida (latest)
1 December 2011 - Terrorist financing (latest)
22 November 2011 - Financial restrictions: Iran
16 September 2011 - Burma/Myanmar
5 September 2011 - Syria
26 July 2011 - Iraq and ICT former Yugoslavia

Public Warnings
Bogus offers of employment:
Danubius Regents Park Hotel;
Vettrax Energy Inc.

Bogus websites:
Royal Alliance UK Group;
Bank of Ireland (IOM) Ltd;
Consolidated Credit Bank Ltd.

Holding out:
Gaming Software Distribution Ltd;
Premium Remittance Online Bank.

Bogus company:
Usedcars Warehouse Ltd
Consultations

Amendment Bill – A consultation on a draft Bill to amend the Financial Services Act and Collective Investment Schemes Act will be issued soon. This follows a consultation on the high level content of the Bill that was issued earlier in 2011.

MIFID 2 – A consultation by European Parliament on MIFID proposals was issued 25 November 2011.

Legislation

Review of Financial Services Legislation – On 13 December 2011 Tynwald approved revised financial services legislation that will come into operation on 1 January 2012. This link is to the revised Regulated Activities Order, Exemptions Regulations, Rule Book, Fees (Amendment) Order and Schemes Fees (Amendment) Order. Also being revised from 1 January 2012 are the Civil Penalties Regulations and the Register of Permitted Persons Regulations.

*** Seasons greetings to all ***