Welcome to the 4th 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**

**Costs of compliance** – The FSC recently sought suggestions on how the cost of compliance for smaller licenceholders could be reduced. The responses received included some valuable suggestions - in particular, more selective application of audit requirements and revised requirements for the use of external resources, which are being reviewed. An interim report to licenceholders is being drafted.

**IT** – The FSC’s on-line reporting system is being extended to enable other data to be submitted to the Commission electronically. This work has initially focussed on the statutory funds’ forms and testing of this is currently under way. The FSC will be discussing this with the IoM Funds Association (previously FMA) shortly. This will provide for a more efficient service for both licenceholders and the Commission.

**Annual Compliance Returns** – Return forms have now been updated, per February’s press release.

**Data security** – The results of the questionnaire on data security have been analysed. A feedback report is being drafted which will focus on the need for measures to be appropriate to the nature of the business. There was a wide range of practice according to the size and IT dependency of licenceholders.

**Alternative Investment Fund Managers Directive (AIFMD)** – Supervision Division and Policy Division continue to work with the Funds Development Group and the Association of Corporate Service Providers to consider the appropriate response to the AIFMD. An exercise is underway to gather statistics and other relevant information from the industry.

**FATCA update** – An advisory notice on the wide-reaching impact of FATCA was issued by Government in February 2012.

**Banking update**

**Statistics** – Latest deposit base figures and quarterly banking statistics were published on 15 February 2012.

**ICAAP** – Feedback from the Commission’s review of bank ICAAPs is to be issued by the end of April 2012. Updated ICAAP guidance is scheduled for completion by the end of June 2012.

**Basel III** – A joint position paper with Jersey and Guernsey is scheduled to be issued by the end of June 2012.

**Themed visit feedback** – Feedback from the visit topics in the 2011-12 visit cycle (complaints handling and corporate governance) is expected to be issued by the end of April 2012.

**AML/CFT visits** – Themed visits to banks, focusing on certain AML/CFT risks, commence from the end of April 2012 and are planned to be completed by the end of February 2013.

**Independent Commission on Banking (“ICB”)** – The FSC is currently engaged with its counterparts in Jersey and Guernsey on a tripartite basis to understand the implications of the proposals put forward by the ICB for UK banks operating in the Crown Dependencies. The key focus of the tripartite group at the present time is engagement with HM Treasury to help ensure that the interests of the Crown Dependencies are considered as the proposals put forward by the ICB are further developed.
Fiduciaries update

**Themed visits with questionnaires** - the focus visit procedure will continue during the 2012-13 visit year as it is proving successful at maintaining regulatory oversight with effective use of resources.

**Professional Officers** – following completion of the first cycle of supervisory visits the Professional Officers’ part of the Rule Book has been simplified.

**Questionnaires** – the FSC continues to focus on PLCs, listed and quoted companies and plans to issue a questionnaire before July 2012 to those 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 quarterly feedback where necessary.

Funds and investment services update

**Retail Distribution Review (RDR)** - the RDR working party (which includes representatives from the FSC, FPIBA, PFS, CII, IOMBA and CISI) held its latest meeting on 6 March 2012.

The FSC has now received the first data from licenceholders on key persons’ RDR Level 4 qualifications and will continue to monitor this regularly. Initial responses indicate that most key persons will meet RDR Level 4 requirements by January 2014 but a progress update will be sought in June 2012.

**Financial advisers and suitability of advice** – Supervisory visits continue to consider the suitability of advice on investments. During 2012/13, the FSC will carry out some visits focusing on the suitability of pensions’ advice. The FSC intends to issue a pension advice guidance note, supplemental to the Conduct of Business – step by step guidance (for Class 2(3) and 2(7) licenceholders) soon.

**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.

**Suspended funds exercise** - Some funds – especially property-holding funds – have been suspended since the downturn in 2008. Therefore, a questionnaire was recently issued to IoM fund operators to obtain details of the suspended funds they administer and to enquire about governance matters such as ongoing board reviews of suspensions and the level of fees taken. Replies were required by 31 March and the data will now be reviewed and feedback provided.

Authorisations and licensing update

**Licence applications** – In January 2012 the Commission’s licence application form was reviewed and re-drafted. As licence applicants are required to submit a business plan alongside the completed licence application form, the business plan guidance was also updated. The revised documents are available on the Licence Application Form page of the Commission’s website. The licensing policy will be reviewed in the next quarter, notably to ensure that references to Class 6 and Class 8 reflect the latest Rule Book and Regulated Activities Order.

**Training and Competence framework** – Following consultation, the training and competence framework was revised and reissued in January 2012. The new framework contains an additional section on ongoing CPD requirements and an updated list of commonly-held, recognised qualifications.

AML/CFT, public warnings and sanctions

**Updates to AML/ CFT Handbook:**

- **December 2011** – Source of funds concession removed; intermediaries’ concession replaced by a specific concession for funds; new pooled clients’ accounts section; variations for foundations.

- **February 2012** - Amendments to reflect new FATF recommendations and FATF statements.

**Sanctions Updates**

- 3 Jan 2012 - Burma/Myanmar
- 3 Jan 2012 - Libya
- 4 Jan 2012 - Afghanistan
- 4 Jan 2012 – Dem. People’s Republic of Korea
21 Feb 2012 – Syria, Al Qaida and EU sanctions against Ivory Coast and Belarus

16 Mar 2012 - Terrorist Asset-Freezing Etc Act 2010

26 Mar 2012 - Al Qaida (latest)

Public Warnings
Bogus websites:
Irish Nationwide Bank;

Consultations
Amendment Bill – A consultation on a draft Bill to amend the Financial Services Act and Collective Investment Schemes Act was issued from 27 January to 23 March 2012. A small number of comments were received – these will be published in anonymised form soon, with the revised draft Bill.

Recognised Schemes - A consultation on revisions to three Recognised Schemes Orders was issued from 2 to 23 March 2012 – no comments were received.

There are no legislative consultations open now.

Legislation

Revised financial services legislation came into operation on 1 January 2012. This includes the Regulated Activities Order, Exemptions Regulations, Rule Book and civil penalties regulations.

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