Welcome to the 5th 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

**FSC’s Annual report** – The FSC has published its Annual Report for 2011/12, providing a summary of its activities and focus over the past year.

### General Supervision update

**Costs of compliance** – A progress report on reducing the cost of compliance for smaller licenceholders was issued on 1 August. The main feature is an opportunity for licenceholders with a turnover below £250,000 (about 20% of the total) to apply for exception from the requirement for audited financial statements, subject to specific provisions.

**Alternative Investment Fund Managers Directive (AIFMD)** – Feedback from the FSC's review of statistics and other relevant information was published on 21 May. Policy Division is continuing to monitor AIFMD developments and has responded to consultations from both ESMA and HM Treasury - relevant EU consultations have also been notified to licenceholders. Dialogue is continuing with the Funds Development Group and the ACSP.

**FATCA** – The Isle of Man Government has issued a new press release and collated a wide range of important information on FATCA in web pages that will be of interest to all licenceholders.

**Eligible introducers** - A new online questionnaire was issued to a sample of 30 licenceholders to gather information about trends in the use of the eligible introducer regime. Replies will be analysed in August and we expect to publish feedback to the industry in September.

**Outsourcing** - The FSC plans to issue an updated guidance note on outsourcing soon, which will reflect the wider use of outsourcing and that IT is integral to the delivery of regulated activities in many licenceholders.

**Industry Briefing** – On 31 July the FSC provided an industry briefing for licenceholders and others on regulatory and other developments.

**Data security** – A report of the findings of the online questionnaire was circulated to licenceholders and a summary was issued on 20 June.

**Long Term Insurance Contracts** – The FSC and IPA have published a joint notice to clarify the position on long-term insurance contracts.

### Banking update

**Statistics** – Latest deposit base figures and quarterly banking statistics were published on 29 May. Proposals to improve quarterly data on banks’ lending portfolios will be made before the end of this year.

**ICAAP** – Feedback from the FSC’s review of bank ICAAPs was issued to banks on 24 April. The release of updated guidance on the ICAAP has been delayed but should be available before the end of the year.

**Themed visit feedback** – Feedback from the visit topics in the 2011/12 visit cycle (complaints handling and corporate governance) was issued to banks on 24 April. The FSC published the findings from these themed visits on 7 August.

**AML/ CFT visits** – Themed visits to banks, focusing on certain AML/CFT risks, have commenced and are planned to be completed by the end of February 2013. Feedback will be issued to banks after this date, and key findings will also be published on the FSC’s website.

**Structured deposits and packaged accounts** - The FSC will soon be undertaking initial research on how banks derive and sell structured deposits and packaged accounts to the public, as well as reviewing the regulatory framework which applies to
these products. The research will aim to formulate views on how such products should be treated and sold in the future, and if any changes will be needed to rules and guidance in the Isle of Man.

Independent Commission on Banking (“ICB”) – Following the issue of HM Treasury’s White Paper in June (Banking Reform: delivering stability and supporting a sustainable economy) the FSC issued a discussion paper to relevant banks for comment by 31 August. The consultation period for the UK White Paper ends on 6 September.

Basel III – A joint discussion paper with Jersey and Guernsey is to be issued in early September.

Fiduciaries update

Themed visits with questionnaires – The FSC’s focus visits provide regulatory oversight with effective use of resources and are continuing during the 2012-13 visit year.

Questionnaires – a licenceholder questionnaire on services provided to PLCs, listed and quoted companies is now planned for September.

Funds and investment services update

Financial advisers and suitability of advice – Supervisory visits continue to monitor the suitability of advice on investments and on 3 August the FSC issued a notice on suitability of advice and selling financial products. The notice emphasises the importance of ensuring that consumers are given appropriate and transparent information to assist them in making informed choices on the right products to meet their needs.

A guidance note on providing advice about pensions’ products and retirement benefits has also been drafted and will be issued in early September, after review by relevant licenceholders. During 2012/13, some supervisory visits will focus on the suitability of pensions’ advice.

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 18 July. The FSC is currently collating data on key persons’ RDR Level 4 and will provide feedback once all the data has been analysed.

Industry liaison - The FIS team holds quarterly meetings with FPIBA and also participates in the Funds Development Group.

Authorisations and licensing update

Licensing policy - The licensing policy is to be updated soon, mainly to reflect the 2012 revisions to Class 6 and Class 8.

Training and Competence framework – The training and competence framework will also be reviewed to ensure it remains appropriate.

AML/CFT, public warnings and sanctions

*Anti Money Laundering and Financial Fraud conference - 10 September 2012*

Sanctions Updates
10 August – Al Qaida
6 August - Iran
3 August - Afghanistan
25 July - Syria
21 June – Belarus, Republic of Guinea-Bissau, Sudan and South Sudan

In June the Isle of Man Government issued a “Commitment to Combating Money Laundering and the Financing of Terrorism and Proliferation”.

The AML/CFT Handbook was amended on 14 August. The updates document is a chronological summary of changes.

Public Warnings
Bogus websites/entities:
Associated Nominees;
Abacus Financial Services;
Worcester International Bank;
Barclay Trust International;
Seabank Plant/ Mr P Cooper;
Global Venture Financing/GVF Management Group;
Equity Bank /Mr John Ross;
Consultations

Financial Services (Miscellaneous Amendments) Bill 2012 – The Bill to amend the Financial Services Act and Collective Investment Schemes Act is now being considered in the House of Keys.

A consultation on a small addition to the Bill is open from 10 August until 21 September.

Legislation

Recognised Schemes - Three Recognised Schemes Orders (for Guernsey, Jersey and UK) came into operation on 1 July.

The House of Keys will resume consideration of the Financial Services (Miscellaneous Amendments) Bill after the summer recess.

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