



ISLE OF MAN
FINANCIAL SERVICES AUTHORITY

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ISLE OF MAN FINANCIAL SERVICES AUTHORITY

ESTATE AGENTS THEMATIC REVIEW PHASE 1 – REPORT

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1 Glossary of terms

<u>TERM</u>	<u>MEANING IN THIS REPORT</u>
AML/CFT	Anti-Money Laundering/Countering the Financing of Terrorism
Authority	The Isle of Man Financial Services Authority
BRA	Business Risk Assessment
CDD	Customer Due Diligence
Code	Anti-Money Laundering/Countering the Financing of Terrorism Code 2019
CRA	Customer Risk Assessment
DBRO	Designated Businesses (Registration and Oversight) Act 2015
ML/FT	Money Laundering/Financing of Terrorism
NRA	National Risk Assessment
PEP	Politically Exposed Person
PF	Proliferation Financing
Relevant Person	Means a person carrying on business in the regulated sector included in paragraphs 2(6)(a) to (t) of Schedule 4 to the Proceeds of Crime Act 2008
Registered Person	Means a person registered under section 9 of the Designated Businesses (Registration and Oversight) Act 2015
SOF	Source of Funds
SOW	Source of Wealth

2 Background

2.1 Executive Summary

The Authority is currently undertaking a thematic project involving estate agents on the Island who are registered to carry out those activities in line with Schedule 1 to the Designated Businesses (Registration and Oversight) Act 2015.

The Authority's work is driven by its three main regulatory objectives:

- securing an appropriate degree of protection for policyholders, members of retirement benefits schemes and the customers of persons carrying on a regulated activity;
- the reduction of financial crime; and
- the maintenance of confidence in the Island's financial services, insurance and pensions industries through effective regulation, thereby supporting the Island's economy and its development as an international financial centre.

Key in achieving these objectives is the Authority's oversight and supervisory functions, which encompass undertaking supervisory inspections and thematic reviews. Thematic reviews are an important part of the Authority's supervisory approach, offering an efficient and effective way to identify and inform our picture of

The planning for the thematic project began at the beginning of 2024 and the background was shared in the below public statement released on the Authority's website in April 2024.

"The estate agency sector is supervised by the Authority in respect of AML/CFT/CPF and this thematic exercise presents a great opportunity to gain a better overview of estate agents on the Island, as part of the review and refresh of ML, TF and PF risk assessments for the Isle of Man.

"The thematic allows the Authority to test and evidence how supervised entities are meeting their AML/CFT obligations, and through increased engagement with businesses during the project, we hope to discover and highlight some best practice that can be shared and fed back with the wider industry, as well as updating the AML/CFT sector specific guidance in this area where appropriate.

"All of this work will add to the Authority's wider AML/CFT evidential understanding and picture of risk, building on from the outcomes the Authority has recently seen from the Foreign PEP, TCSP BRA, and Accounting Profession CRA thematic projects."

risk at a firm and sector level.

The thematic exercise is made up of two core phases. Phase 1 of the thematic consisted of a questionnaire issued to all 20 registered estate agents¹. This report will outline the results from this first phase, as well as the Authority's observations on the data and will include some best practice points. Phase 2 of the project, consisting of thematic inspections, is currently ongoing and is intended to run beyond 2024. A Phase 2 report

will be issued following the project's completion.

The purpose and aim of the thematic project, particularly with the first phase, is to gain further insight into the estate agency sector through the collection of information and data.

The data collected as part of this project will inform the Island's NRA as well as any further updates required to the Estate Agent's AML/CFT Sector Specific Guidance.



¹ As at 11 April 2024

2.2 Data Analysis and Phase 1 Selection



20
Estate agents
selected for
Phase 1

Prior to the Phase 1 Questionnaire being issued, existing data held on all registered estate agents was analysed and considered.

Each registered estate agent was considered by analysis of the following:

- AML/CFT annual statistical returns;
- full inspection history; and
- any business meetings held.

Following this review, it was determined that all 20 registered estate agents would be included in Phase 1 of the thematic, in order to obtain an indicative picture across the sector and to enhance the Authority's understanding and data of the overall sector.

3 Phase 1 Estate Agents Questionnaire: Results, Key Findings and Observations

The Phase 1 Estate Agents Thematic Questionnaire was made up of four main sections, broken down into a further ten sub-sections.

Sales and Purchases

- Customer Risk Questions

Lettings and Rentals

- Customer Risk Questions

Estate Agents Risk Factors

- Customer Relationships

- General Questions

Controls

- Procedures and Controls



- Staff Training
- Business Risk Assessment
- Customer Risk Assessment

- Customer Due Diligence Enhanced CDD
- Source of Funds and Source of Wealth

The first two main sections of the questionnaire were broken down into the services provided by estate agents; 'Sales and Purchases' and 'Lettings and Rentals'. These two sections were made up of customer related questions, particularly looking at the composition of the customer base, this including the customer breakdown split between the types of services provided, customer risk ratings and customer type (natural and non-natural).

The third section of the questionnaire, 'Estate Agents Risk Factors', looked at customer relationships,

particularly the number of relationships classed as occasional transactions or business relationships, number of remote sales and customer records.

The last section of the questionnaire, 'Controls' was made up of questions looking at various aspects, including

procedures and controls, the BRA, CRAs, CDD and staff training.

The following sections of this report go through each question included within the questionnaire, highlighting the results from these, the Authority's best practice points and Code requirements.

The Phase 1 thematic questionnaire was made up of four main sections

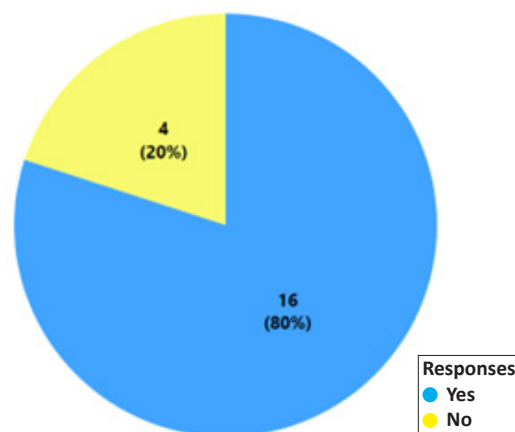
3.1 Sales and Purchases

Question 1

Do you provide services associated with the selling and buying of property?

Of the 20 registered estate agents, 16³ confirmed that they were providing services relating to the selling and buying of property throughout January 2023 to December 2023.

The 4 estate agents who answered as 'no' were providing lettings and property/ rental management activity only.

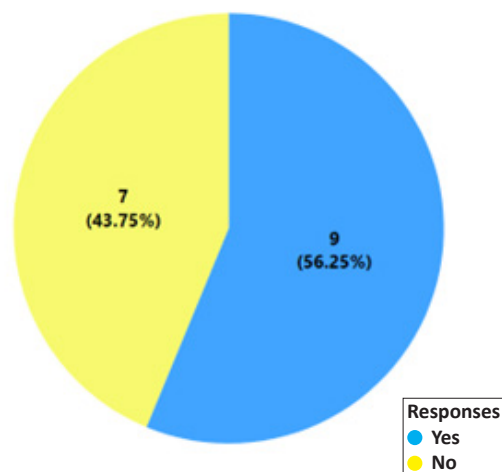


Question 2

Do you treat both the seller and buyer as the customer in a sales arrangement?

Of the 16 estate agents who confirmed to be providing services associated with the selling and buying of property, 9 confirmed they treat both the seller and buyer as the customer, while 7 confirmed they do not treat both as the customer.

The Authority updated its [AML/CFT Sector Specific Guidance for Estate Agents](#) in July 2023 to reflect that while estate agents must treat the seller as the customer in line with the Code, it is the expectation of the Authority, in line with international standards, for estate agents to identify and verify the identity of both the buyer as well as the seller in an arrangement. It is important to note that relevant person's procedures and controls should clearly document the approach taken and be operated consistently and correctly.



³ Following analysis of the results from the Phase 1 questionnaire, it has been noted that there appears to be a discrepancy within the answers provided within question 1 and questions 57 and 59. Further details can be seen in questions 57 and 59.

Questions 3 to 12

Questions 3 to 12 were all customer specific, asking for a statistical breakdown of the sellers and buyers, their customer risk rating and PEP status.

From the overall 16 estate agents confirming to be providing services associated with the selling and buying of property, the overall sector customer breakdown was as shown in the figures on the right⁴.

Of the 1,791 Sellers, 12 were domestic PEPs. It should be noted that where a customer of a relevant person is identified as a PEP, the requirements of paragraph 14 of the Code apply. Further where a customer poses a higher risk of ML/FT, enhanced customer due diligence must be undertaken in line with paragraph 15 of the Code.



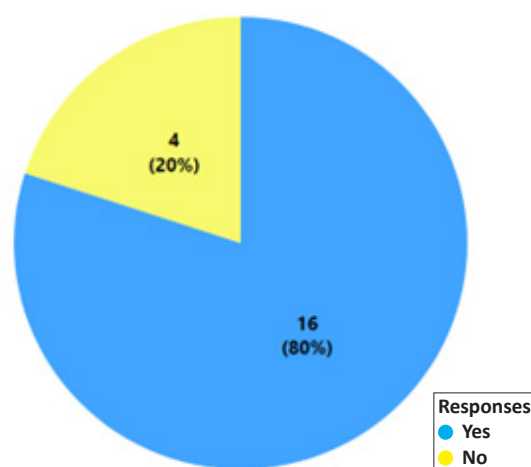
3.2 Lettings and Rentals

Question 13

Do you carry out lettings and property/rental management activity?

Of the 20 registered estate agents, 16⁵ confirmed that they were providing services relating to lettings and property management activity throughout January 2023 to December 2023.

In combination with question 1, 12 of the 20 registered estate agents offer both selling and rental services.

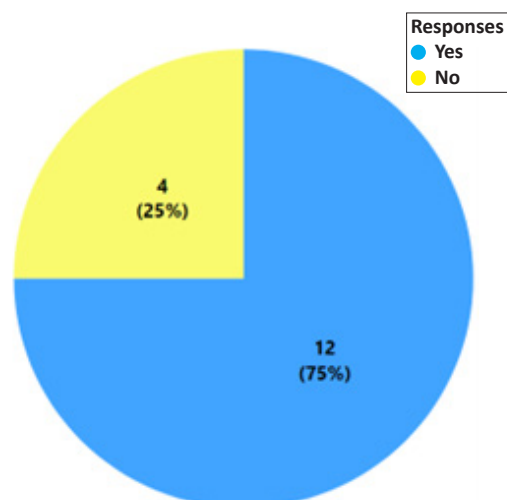


Question 14

Do you treat both the landlord and the tenant as the customer in a letting arrangement?

Out of the 16 estate agents who confirmed to be providing letting activity in the reporting period, 12 confirmed to be treating both the landlord and tenant as the customer.

It is important to note that where a relevant person is conducting registerable letting activity, both the landlord and the tenant would be customers of the estate agent. As such, the requirements of the Code relating to customers, including CRAs and CDD would apply to both parties.



⁴ The statistics for the buyers are significantly lower when compared to the sellers, this may be due to each firm not treating both the seller and the buyer as a customer as per question 2.

⁵ Following analysis of the results from the Phase 1 questionnaire, it has been noted that there appears to be a discrepancy within the answers provided in question 13 and questions 62 and 64. Further details can be seen within questions 62 and 64.

Questions 15 to 24

Questions 15 to 24 were customer specific, asking for a breakdown of the landlord and tenant, their customer risk rating and PEP status.

From the overall 16 firms confirming to be providing services relating to lettings and property management, the overall sector customer breakdown for the reporting period was as shown in the figures on the right.

Of the 1,141 Landlords, 3 were identified as Domestic PEPs.

6 Higher Risk Landlords
428 Standard Risk Landlords
707 Lower Risk Landlords

0 Higher Risk Tenants
1,613 Standard Risk Tenants
1,314 Lower Risk Tenants

3.3 Customer Relationships

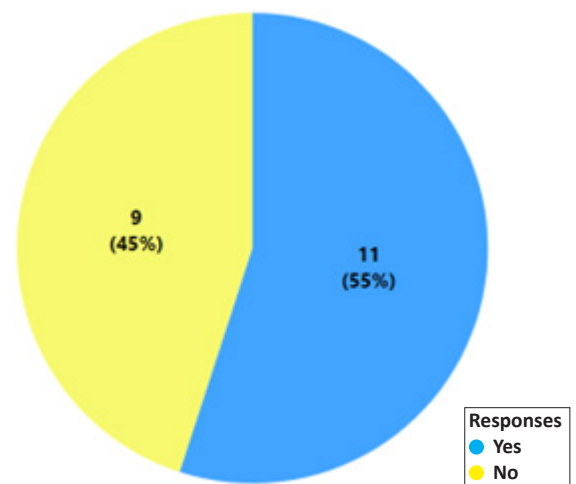
Question 25

Do you classify customer(s) as occasional transactions?

Out of the 20 registered estate agents, 11 have confirmed to have classified customers as occasional transactions in line with paragraph 11 of the Code throughout January 2023 to December 2023.

Where estate agents carry out services associated with the selling and buying of property, they may class these relationships as occasional transactions rather than business relationships (defined as business carried out on a frequent, habitual or regular basis).

Due to the nature of the sector, most transactions are therefore likely to be one-off in relation to buyers and sellers of real estate, however established as business relationships when it involves letting and renting. As occasional transactions can reduce the level of understanding of customers, making ongoing monitoring less effective,

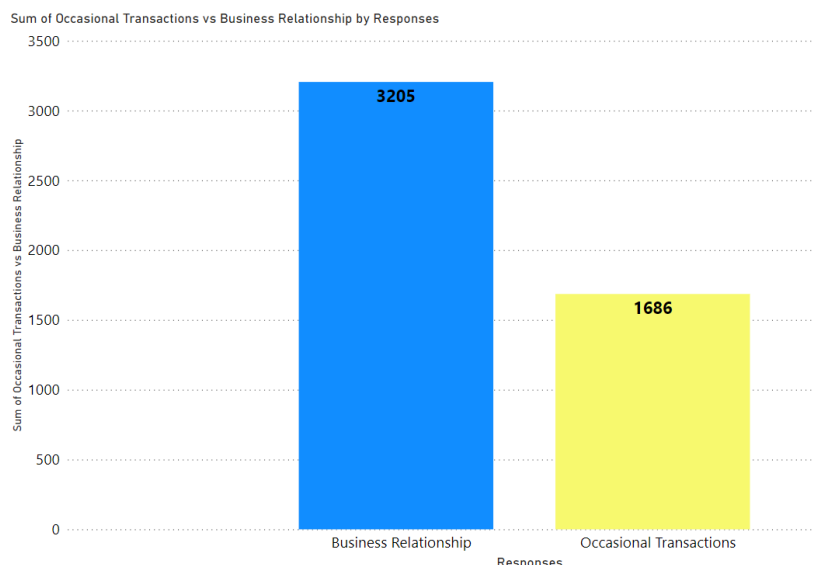


estate agents should place more focus on understanding the purpose of the occasional transaction and the source of funds for both the sellers and buyers. Firms should ensure this is fully understood, satisfied, and clearly documented.

Question 26

Number of customer(s) recorded as an occasional transaction?

Of the 11 estate agents who confirmed to have classed customers as occasional transactions, the overall total number of customers recorded as an occasional transaction was reported as 1,686 for the period from January 2023 to December 2023.

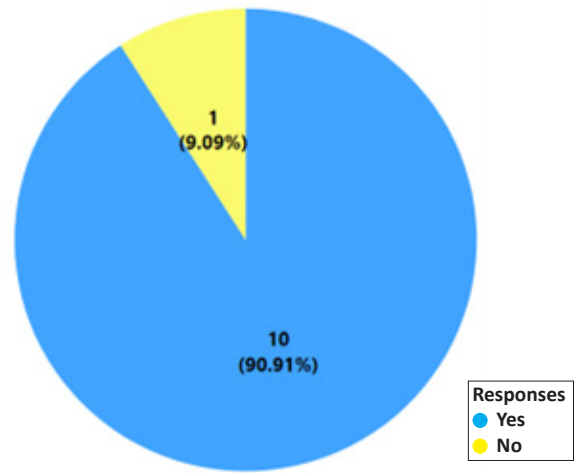


Question 27

Do you have established, documented and recorded procedures and controls in relation to occasional transactions?

Out of the 11 estate agents who confirmed to class customers as occasional transactions, 10 confirmed to have documented procedures and controls regarding occasional transactions.

It is important to note that it is a Code requirement for all relevant persons to establish and record procedures and controls in order to comply with each paragraph within Parts 3 to 9 of the Code before carrying out an occasional transaction or entering into a business relationship.

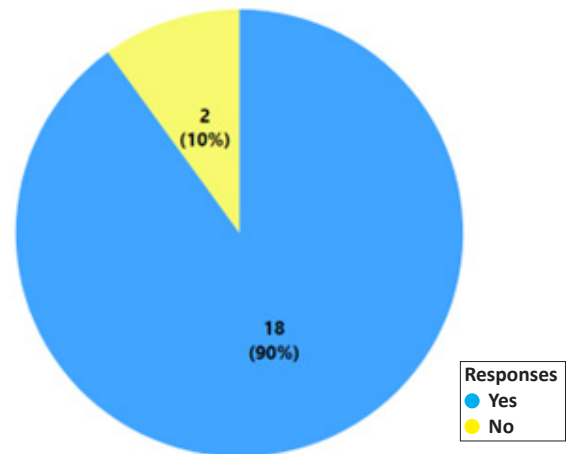


Question 28

Do you classify customer(s) as business relationships?

Out of the 20 registered estate agents, 18 confirmed to classify customers as business relationships in line with paragraph 8 of the Code.

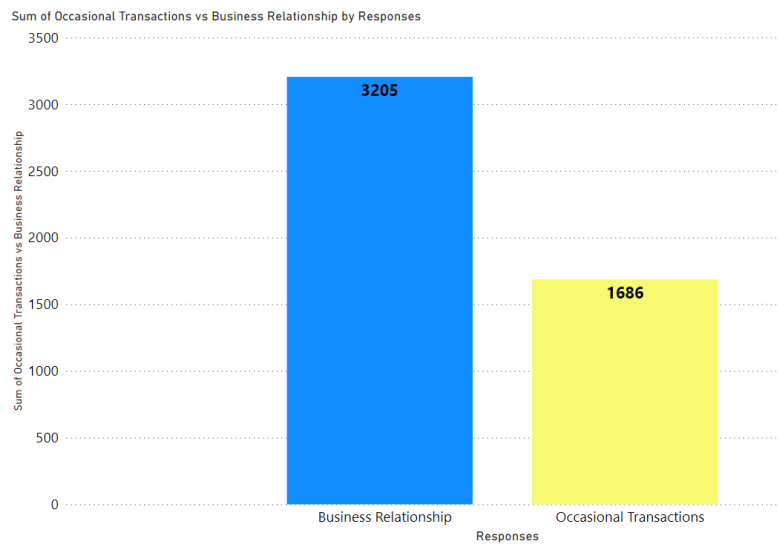
In combination with question 25, 9 of the 20 registered estate agents classify customers as both, some business relationships and some occasional transactions.



Question 29

Number of customer(s) recorded as a business relationship?

For the 18 estate agents who confirmed to classify customers as business relationships, the overall total number of customers recorded as a business relationship was reported as 3,250 from January 2023 to December 2023.



Question 30

Number of remote sales throughout January 2023 to December 2023?

The total number of remote sales for the overall sector was reported to be 12 for the reporting period of 2023.

It is important to note that face-to-face contact with a customer offers some form of tangible relationship and an opportunity to interact with the customer. Transactions made online, over the phone or via an intermediary reduce this exposure to the customer, decrease effective identification, and increase vulnerability to ML. Remote sales may therefore pose a higher ML risk.

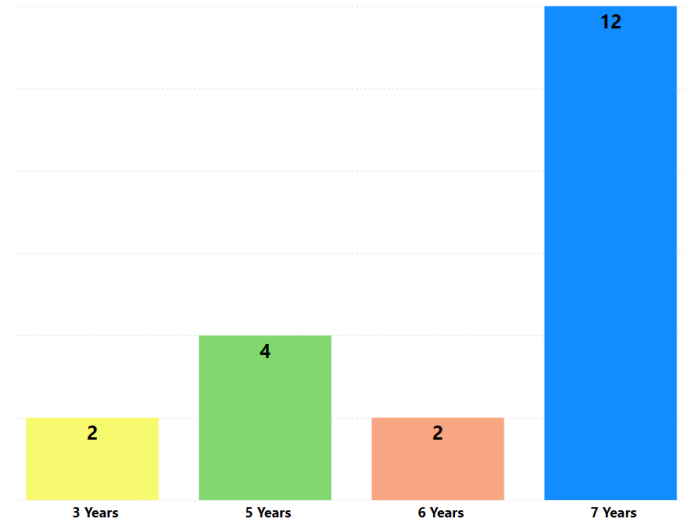
Question 31

What is the minimum number of years you store / keep customer records?

The answer for this question varied from the minimum number of years being 3 and the maximum being 7. The breakdown was as follows:

- **3 Years** – 2 estate agents
- **5 Years** – 4 estate agents
- **6 Years** – 2 estate agents
- **7 Years** – 12 estate agents

In line with paragraph 34 of the Code, relevant persons must keep the records required by the Code for five years from the date the transaction has been completed.



Question 32

Total value of transactions carried out and facilitated by the firm?

The total value of transactions conducted and facilitated by the overall sector was reported to be £532,848,641.8 for the reporting period of January 2023 to December 2023.



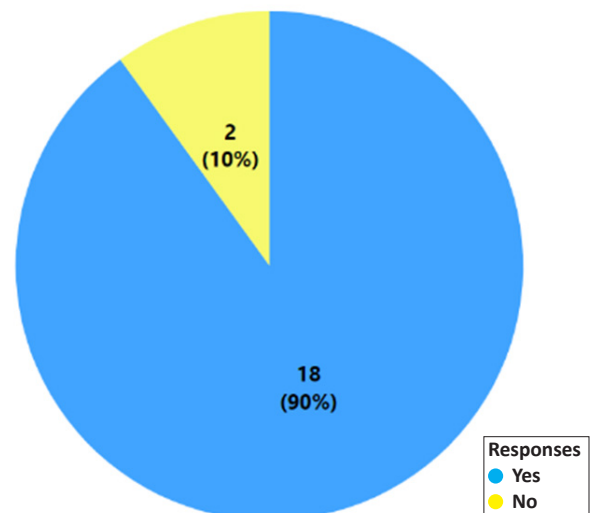
3.4 Procedures and Controls

Question 33

Do you have documented AML/CFT procedures and controls in place?

Out of the 20 registered estate agents, 18 confirmed to have documented AML/CFT procedures and controls in place, with 2 estate agents confirming they do not have these in place.

The Authority would like to highlight that, as per the Code, all relevant persons must have documented AML/CFT procedures and controls in place before any business is conducted. These procedures and controls are vital in assisting in protecting the relevant person and for effective prevention of ML/FT/PF, in line with paragraph 4(1)(a) of the Code.



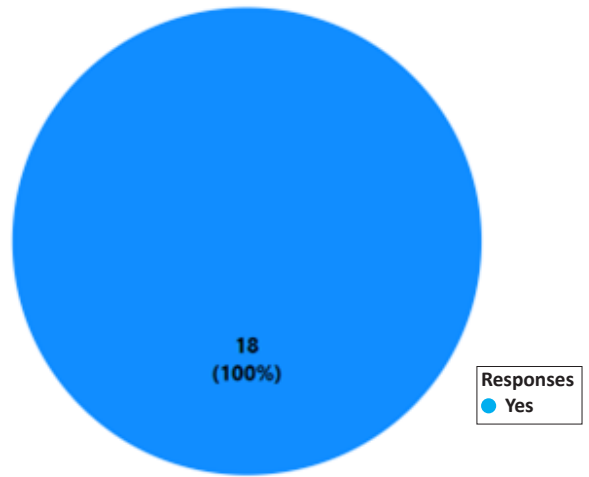
All relevant persons must have documented AML/CFT procedures and controls in place before any business is conducted

Question 34

Are employees aware of the AML/CFT procedures and controls established?

Of those 18 estate agents who confirmed to have documented AML/CFT procedures and controls in place, all 18 have confirmed that employees of the firm are aware of these procedures and controls.

The procedures and controls established by relevant persons must be accessible to all employees conducting business on behalf of the firm to ensure they can be operated and followed accordingly, in line with paragraph 4(1) (b) of the Code.

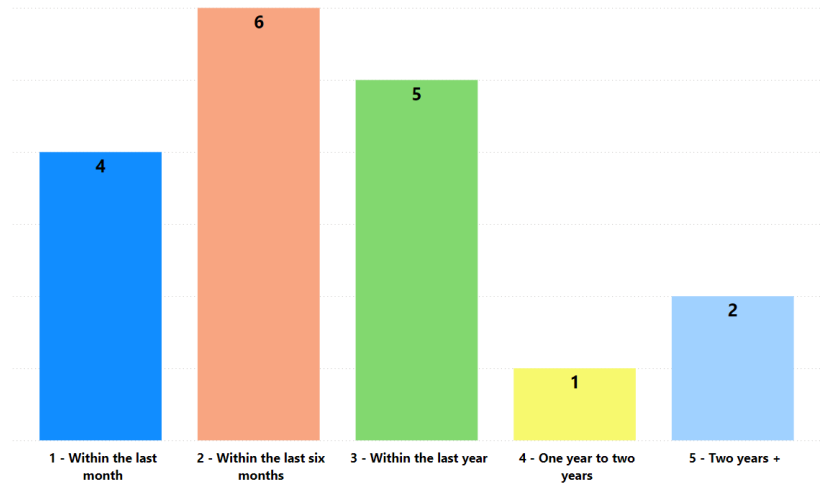


Question 35

When were the AML/CFT procedures last updated?

Of those 18 estate agents who confirmed to have documented AML/CFT procedures and controls in place, the majority have confirmed that their procedures have been updated within the last six months. The overall breakdown was as follows:

- **Within the last month** – 4 estate agents
- **Within the last six months** – 6 estate agents
- **Within the last year** – 5 estate agents
- **One year to two years** – 1 estate agent
- **Two years+** – 2 estate agents



Question 36

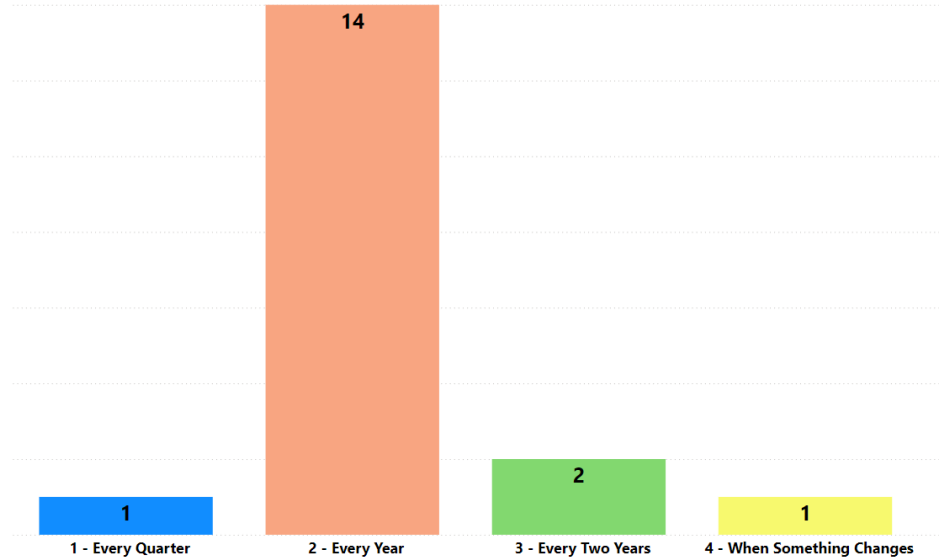
How often are AML/CFT procedures and controls typically reviewed?

Of those 18 estate agents who confirmed to have documented AML/CFT procedures and controls in place, the majority have confirmed that their procedures and controls are typically reviewed every year.

The overall breakdown was as follows:

- **Every quarter** – 1 estate agent
- **Every year** – 14 estate agents
- **Every two years** – 2 estate agents
- **When something changes** – 1 estate agent

The Authority would like to high-



light that all relevant persons must regularly review and maintain their procedures and controls to ensure that they remain fit for purpose.

As a matter of best practice, details of any review and update undertaken may be recorded within a version history of the document.

3.5 Staff Training

Question 37

Total number of employees

Of the 20 registered estate agents, the minimum number of employees was reported to be 1, with the highest number reported as 17. The sector total of employees was reported as 121.

Question 38

Number of employee(s) with an Estate Agent qualification

The overall sector total of employees with an estate agent qualification was noted as 38 employees.

Question 39

Number of employee(s) with an AML/CFT or Compliance qualification

Out of the total 121 employees for the 20 registered estate agents, the overall number of employees with an AML/CFT or compliance qualification was reported as 6 employees.

It has been noted that the 6 employees with an AML/CFT or compliance qualification are across 4 estate agents.

The sector employs a total of 121 people



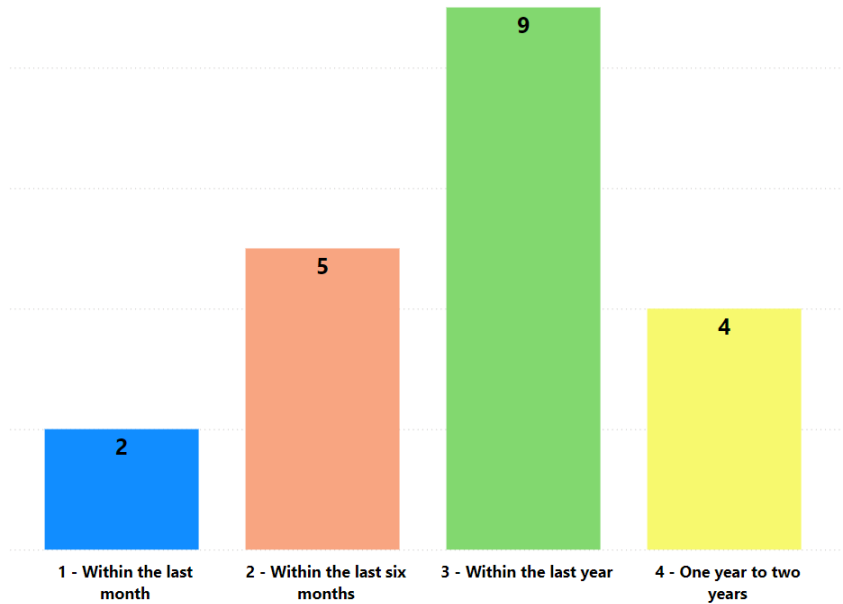
Question 40

When was AML/CFT training last provided?

All 20 registered estate agents confirmed when AML/CFT training was last provided, with the majority confirming this to be within the last year. The overall breakdown was as follows:

- **Within the last month** – 2 estate agents
- **Within the last six months** – 5 estate agents
- **Within the last year** – 9 estate agents
- **One year to two years** – 4 estate agents

All relevant persons must ensure that



AML/CFT training is provided and undertaken at least annually. This is to ensure employees are aware of AML/CFT developments in order

for the relevant person to be able to manage and mitigate their ML/FT risks, in line with paragraph 32 of the Code.

Question 41

Is AML/CFT training provided by an internal party?

Of the 20 registered estate agents, 9 have confirmed that AML/CFT training is provided by an internal party.

Question 42

Is AML/CFT training provided by a third party?

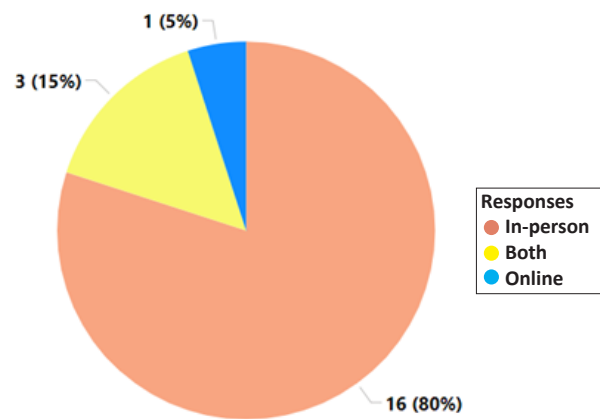
Of the 20 registered estate agents, 11 confirmed that AML/CFT training is provided by an external party.

Question 43

Is training provided online and/or in-person?

The majority of estate agents have confirmed that AML/CFT training is provided in-person. The overall breakdown was as follows:

- **In-person** – 16 estate agents
- **Both** – 3 estate agents
- **Online** – 1 estate agent



Question 44

What topics are covered as part of the training?

This question consisted of a comment box, allowing for all 20 estate agents to provide some examples on the training provided and undertaken by the relevant person's staff. Some of the example answers provided as part of this question are shown on the right.

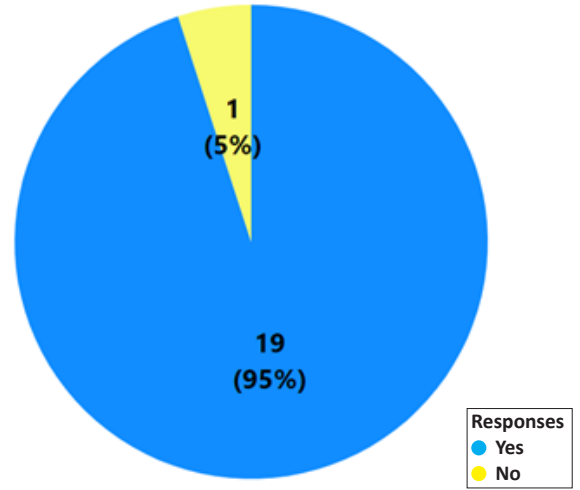
- "The firm's specific business risks and how they are mitigated."
- "Overview and responsibilities of the AML/CFT Code."
- "Overview of the DBRO."
- "Overview of ML and TF."
- "Operational procedures around risk assessments, CDD, staff obligations and disclosures."
- "Systems and controls."

Question 45

Does the training provided make employees aware of the areas noted in paragraph 32(2) Staff Training of the AML/CFT Code 2019: –

- a) the provisions of the AML/CFT legislation;
- b) any personal obligations in relation to the AML/CFT legislation;
- c) the reporting procedures and controls established under Part 7;
- d) the relevant person’s policies and procedures and controls for AML/CFT as required by paragraph 4;
- e) the recognition and handling of unusual activity and suspicious activity;
- f) their personal liability for failure to report information or suspicions in accordance with internal procedures and controls, including the offence of tipping off; and
- g) new methods and developments, including information on current techniques, methods and trends in ML/FT.

Of the 20 registered estate agents, 19 confirmed that the training provided makes employees aware of the above factors, as per paragraph 32(2) of the Code.



The Authority would like to highlight that all relevant persons are obliged under the Code to include these factors at a minimum within the training provided. Training carried out by relevant persons should be designed to mitigate potential AML/CFT risks and to ensure that staff understand the AML/CFT environment.

As a matter of best practice, relevant persons may utilise a training register in order to demonstrate their compliance with this paragraph of the Code.

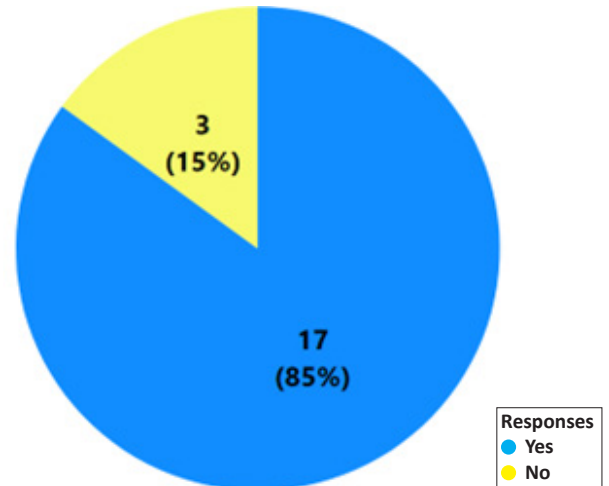
3.6 Business Risk Assessment

Question 46

Is there currently a documented BRA in place?

Of the 20 registered estate agents, 17 confirmed to have a documented BRA in place, with 3 estate agents confirming they do not have a documented BRA.

All relevant persons are obliged under the Code to ensure a documented and sufficient BRA is in place to accurately estimate and assist in managing the risk of ML/FT risk posed by the relevant person’s business and its customers. The BRA should feed into and affect all subsequent policies, procedures and controls, forming and evidencing the relevant person’s approach to risk.



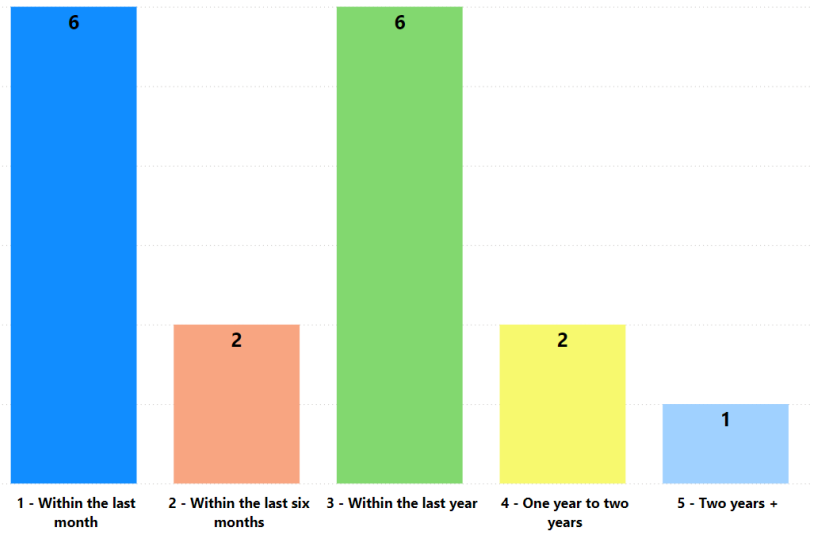
A Business Risk Assessment must be in place to manage the ML/FT risk posed by the business and its customers

Question 47

When was the BRA last updated, approved and signed-off?

Out of the 17 estate agents who confirmed to have a BRA, the majority confirmed that their BRA was last updated, approved and signed off within the last month or within the last year. The overall breakdown was as follows:

- **Within the last month** – 6 estate agents
- **Within the last six months** – 2 estate agents
- **Within the last year** – 6 estate agents
- **One year to two years** – 2 estate agents
- **Two years or more** – 1 estate agent

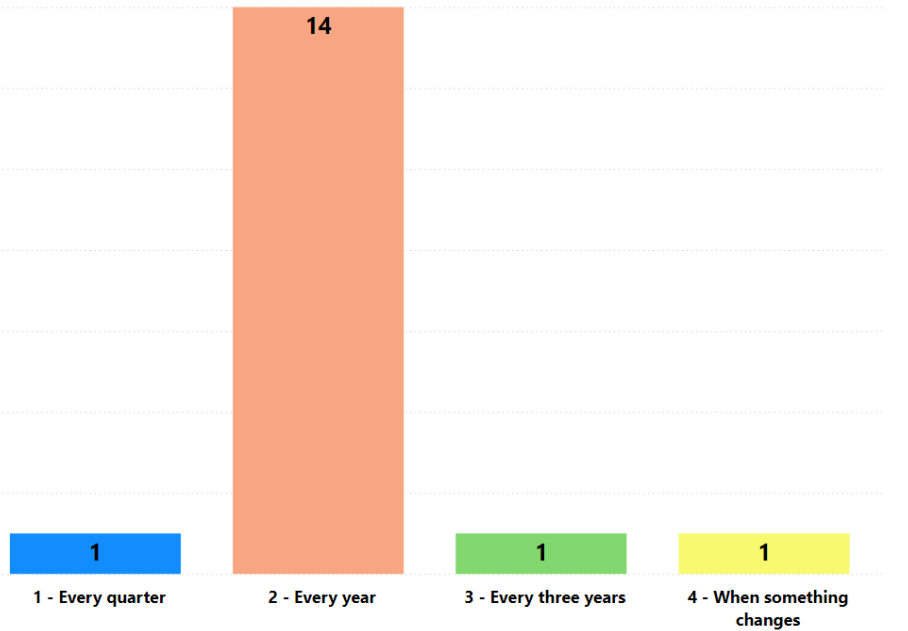


Question 48

How often is the BRA scheduled to be reviewed?

Out of the 17 estate agents who confirmed to have a BRA, the majority have confirmed that the BRA is scheduled to be reviewed every year. The overall breakdown was as follows:

- **Every quarter** – 1 estate agent
- **Every year** – 14 estate agents
- **Every three years** – 1 estate agent
- **When something changes** – 1 estate agent



The Authority would like to reiterate that the BRA must be regularly reviewed and kept up to date,

particularly when something material may change. All reviews should be clearly documented and recorded in order to evidence compliance

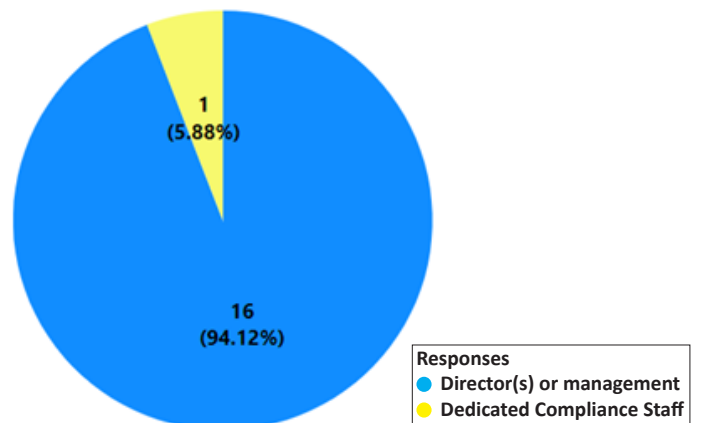
with the Code. One way to effectively demonstrate this could be through implementing a detailed version history within the BRA document.

Question 49

Who has responsibility for approving the BRA?

Of the 17 estate agents who confirmed to have a BRA, the majority have advised that the Director(s) or Management are responsible for approving the BRA. The overall breakdown was as follows:

- **Director(s) or Management** – 16 estate agents
- **Dedicated Compliance Staff** – 1 estate agent



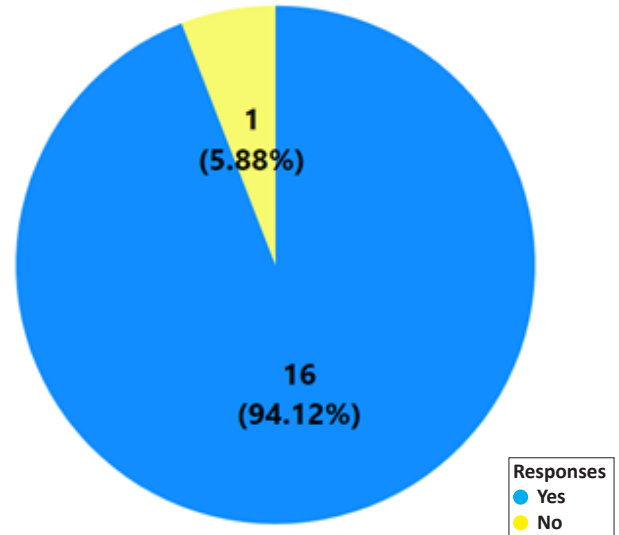
Question 50

Are all of the following factors noted in paragraph 5(3) Business Risk Assessment of the AML/CFT Code 2019 considered within your firms BRA?

- a) the nature, scale and complexity of the relevant person’s activities;
- b) any relevant findings of the most recent National Risk Assessment relating to the Island;
- c) the products and services provided by the relevant person;
- d) the manner in which the products and services are provided, including whether the relevant person meets its customers;
- e) the involvement of any third parties for elements of the customer due diligence process, including where reliance is placed on a third party;
- f) customer risk assessments carried out under paragraph 6; and
- g) any technology risk assessment carried out under paragraph 7.

Out of the 17 estate agents confirming to have a documented BRA, 16 confirmed that their BRA includes all the above factors listed in paragraph 5 of the Code.

All the risk factors prescribed in paragraph 5(3) of the



Code must be fully considered, assessed, and the analysis clearly documented and articulated within the BRA.

This list is not exhaustive and firms should consider all relevant risk factors even if not expressly included in paragraph 5(3). Any other relevant risk factors that expose the relevant person to risk should also be considered and documented.

3.7 Customer Risk Assessments

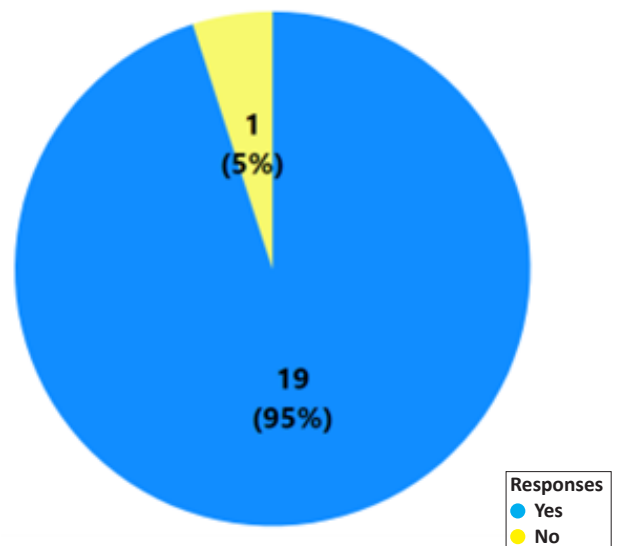
Question 51

Do you risk assess your customers from an ML/FT perspective?

Out of the 20 registered estate agents, 19 have confirmed to risk assess their customers from an ML/FT perspective.

All relevant persons must carry out a CRA for every customer, ensuring the CRA is clearly documented and sufficiently estimates the risk of ML/FT posed by the customer. It is important to note that the CRA must have regard to all the risk factors included within paragraph 6(3) of the Code at a minimum.

A CRA will assist relevant persons to understand how a particular customer exposes them to ML/FT risk and will enable them to apply their procedures appropriately in order to effectively mitigate the ML/FT risk which that customer poses.

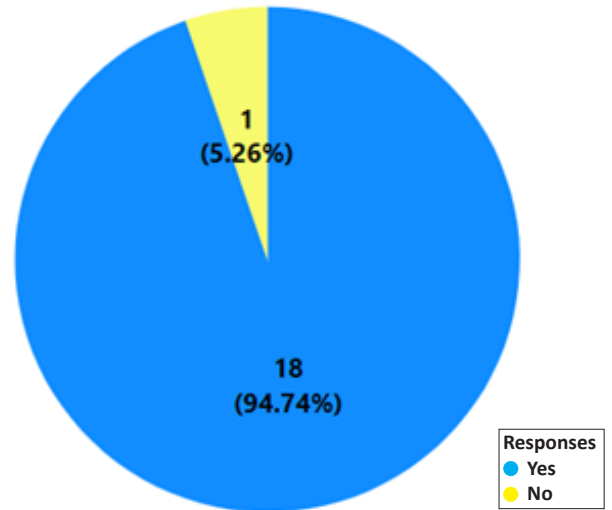


Question 52

Do you undertake a CRA before a business relationship is established or occasional transaction carried out?

Out of the 19 estate agents who confirmed to carry out CRAs, 18 have also confirmed to undertake the CRA prior to the establishment of a business relationship or the carrying out of an occasional transaction.

In line with paragraph 6(2)(a) of the Code, all relevant persons must undertake a CRA prior to the establishment of a business relationship or the carrying out of an occasional transaction with or for that customer.

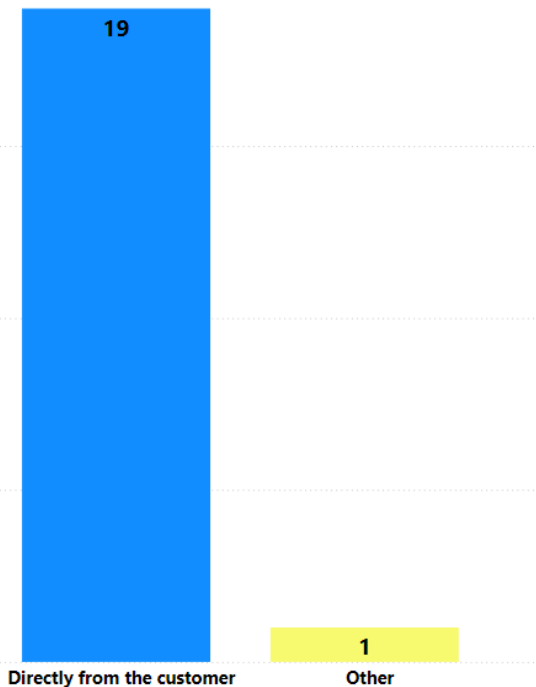


3.8 Customer Due Diligence and Enhanced Customer Due Diligence

Question 53

How is CDD normally collected?

19 estate agents confirmed that CDD is normally collected directly from the customer whilst 1 estate agent has submitted 'Other' for this question.



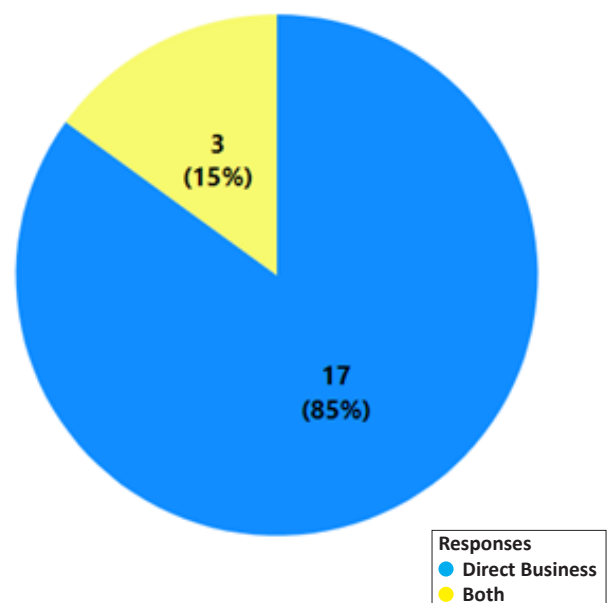
Most estate agents collect CDD directly from the customer

Question 54

Are customers direct business or are they introduced or referred by advocates/third parties?

The majority of estate agents have confirmed that customers have been direct business throughout January 2023 to December 2023. The overall breakdown for this question was as follows:

- **Direct business** – 17 estate agents
- **Both (direct business and introduced)** – 3 estate agents



Question 55

Number of customers introduced or referred by a third party?

The overall sector total for the number of customers introduced or referred by a third party during the reporting

period was noted as 11 customers.

Where a customer is introduced to a relevant person by a third party and the third party provides element of CDD, it is important to note that the requirements of paragraph 9 of the Code, Introduced Business, would also apply.

Question 56

Do you carry out screening on all parties involved - for example the buyer and the seller, and for a letting arrangement the landlord and tenant?

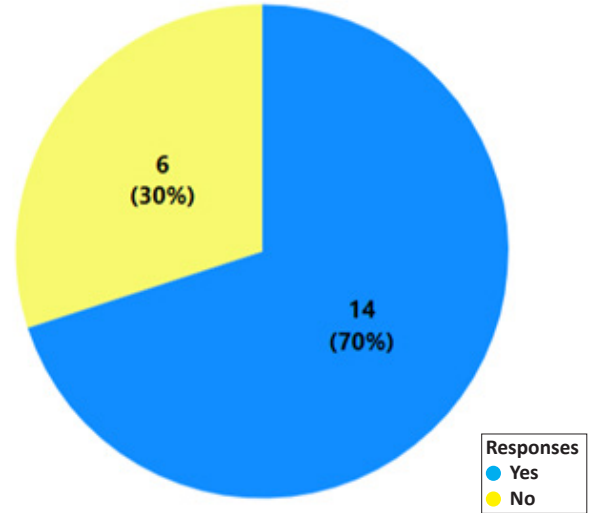
Out of the 20 registered estate agents, 14 have confirmed to carry out screening on all parties involved.

The Authority would like to reiterate that in a letting arrangement, both the landlord and tenant would be the customer of the estate agent and as such screening must be undertaken on both parties.

Where an estate agent carries out services associated with the selling and buying of property, it is the expectation of the Authority that the seller and buyer are treated as a customer and therefore screening should be undertaken on both parties.

It is important to note that all relevant persons must establish, record, operate and maintain procedures and controls in relation to determining whether a customer is

included on the sanctions list. Without screening or a PEP or sanctions check, relevant persons will leave themselves exposed to ML/FT risk, as well as potential reputational risk.



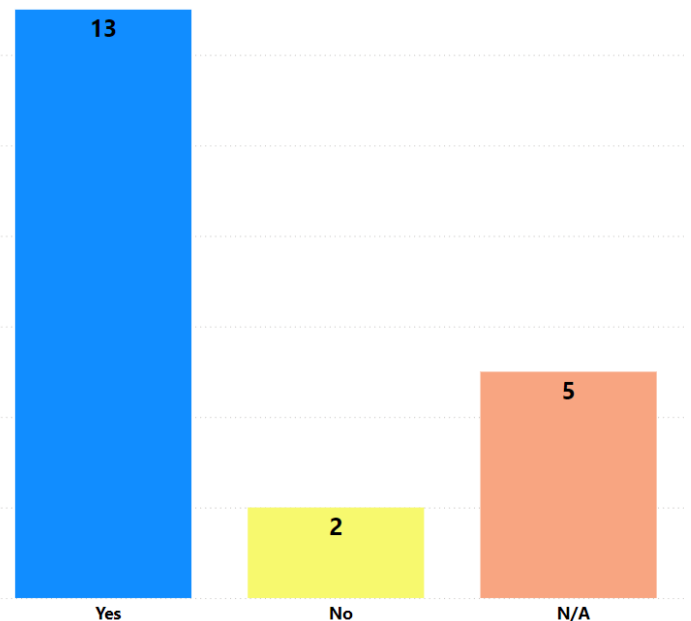
Screening must be undertaken on both landlord and tenant

Question 57

In respect of the seller - in a sales arrangement, do you establish the source of funds used to purchase the property that is now being placed on the market for sale?

13 estate agents have confirmed to establish the SOF for the seller i.e. the funds used to purchase the property that is now being placed on the market for sale. 5 estate agents answered this question as 'N/A' and 2 confirmed not to establish the SOF for the seller.

Following analysis of the results from this questionnaire, it has been noted that there is a discrepancy within the answers provided in this question and in question 1, as 16 estate agents confirmed to be carrying out services associated with the selling and buying of property in question 1, whereas 5 out of the 20 estate agents answered this question as N/A.



Question 58

What SOF information or documentation would be obtained for the seller?

This question consisted of a comment box. The 13 estate agents who confirmed to establish the SOF for a seller provided some examples on what would be obtained for SOF. Some of the examples provided for this question included the comments provided on the right.

For clarity, the requirement to take reasonable measures to establish the SOF is a risk-based requirement and the depth of research and evidence required to establish SOF is subject to the materiality and risk of ML/FT posed by the specific customer.

Where the purchase of the property was fully or partially funded by a mortgage or other lending instrument, estate agents should take reasonable steps to establish who the

- “Enquiries are made on how the Seller acquired the property, including beneficial ownership and how long they have owned the property.”
- “Confirmation is obtained from the customer about their SOF. This is verified through online searches and the Land registry.”
- “The seller is requested to complete a vendor registration form which asks for SOF details.”
- “If the customer was a foreign PEP or rated as high risk we would consider obtaining further information or documents.”

lender was. Estate agents should also establish the source of funds of any deposit used to fund the purchase or if the property was purchased outright. It is important that the information obtained and/or verified is clearly documented.

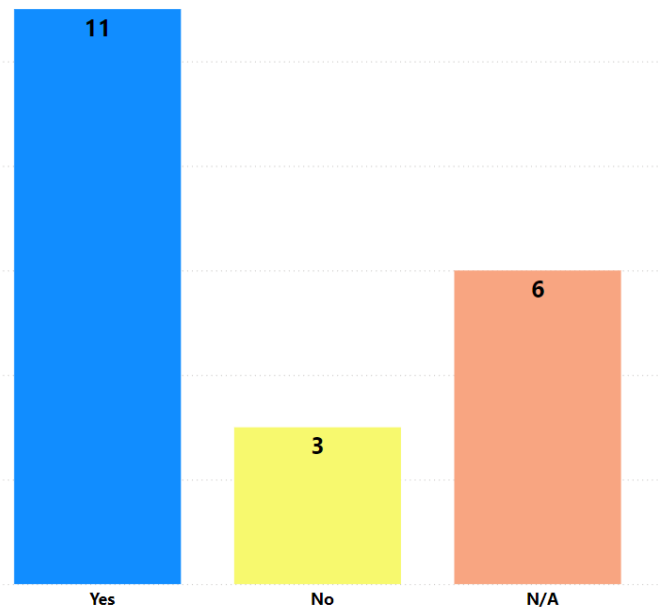
It is important that the information obtained is clearly documented

Question 59

In respect of the Buyer - in a sales arrangement, do you establish the source of funds used to purchase the property from the market for sale?

11 estate agents have confirmed to establish the SOF for the buyer i.e. the SOF used to purchase the property from the market for sale. A total of 6 estate agents answered this question as ‘N/A’ and 3 confirmed not to establish the SOF for the buyer.

Following analysis of the results from the Phase 1 questionnaire, it has been noted that there is a discrepancy within the answers provided in this question and in question 1, as 16 estate agents confirmed to be carrying out services associated with the selling and buying of property in question 1, whereas 6 estate agents answered this question as N/A.



Question 60

What SOF information or documentation would be obtained for the buyer?

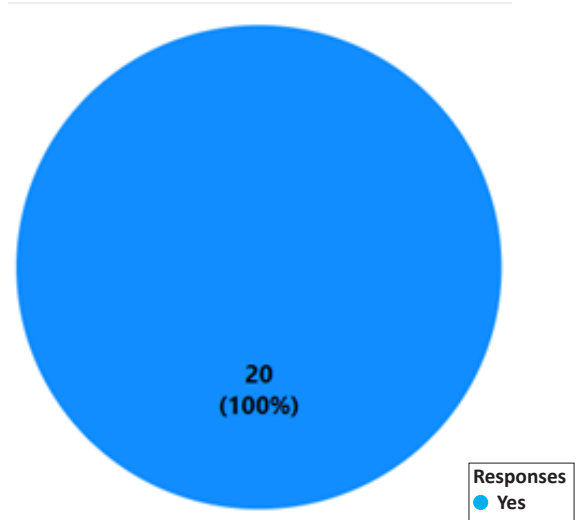
This question consisted of a comment box. The 11 estate agents who confirmed to establish the SOF for the buyer provided some examples on what would be obtained for SOF. Some of the examples provided included the comments provided on the right.

- “Enquiries about any dependencies for the sale, such as the need for another property to sell, mortgage approval (which bank is being used), available cash funds, or proceeds from the sale of assets.”
- “The buyer is requested to complete a registration form which asks for SOF details.”
- “Bank letter / bank statement / advocates letter / accountants letter.”

Question 61

Is the purpose of the transaction always fully understood?

All 20 registered agents have confirmed that the purpose of the transaction is always fully understood.

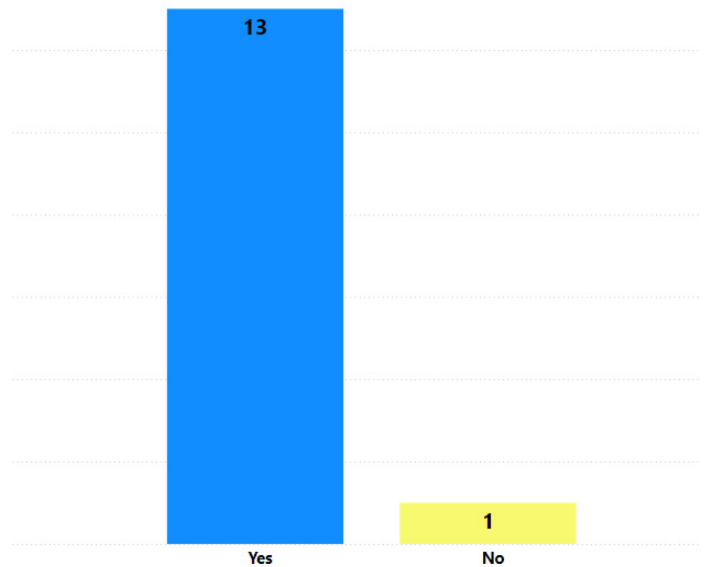


Question 62

In a letting arrangement, do you establish the SOF for the tenant?

13 estate agents have confirmed to establish the SOF for the tenant, whilst 1 estate agent confirmed that the SOF for a tenant is not established.

Following analysis of the results from the Phase 1 questionnaire, it has been noted that there is a discrepancy within the answers provided within this question and in question 13, as 14 estate agents confirmed to be carrying out letting activity in this question whereas 16 estate agents confirmed to be carrying out letting activity in question 13.



Question 63

What SOF information or documentation would be obtained for the tenant?

This question consisted of a comment box. The 13 estate agents who confirmed to establish the SOF for a tenant provided some examples on what would be obtained for SOF. Some of the examples provided included the comments on the right.

- “Bank statements/ proof of employment/ payslips.”
- “In relation to low risk tenants, we will establish the SOF of the rent that will be received by the landlord, for example salary. For any higher risk tenants, we would get additional information and verification of the SOF.”
- “Tenant registration form requests details on SOF.”

For clarity, the requirement to take reasonable measures to establish the SOF is a risk-based requirement and the depth of research and evidence required to establish SOF is subject to the materiality and risk of ML/FT posed by the specific customer. For tenants, estate agents must estab-

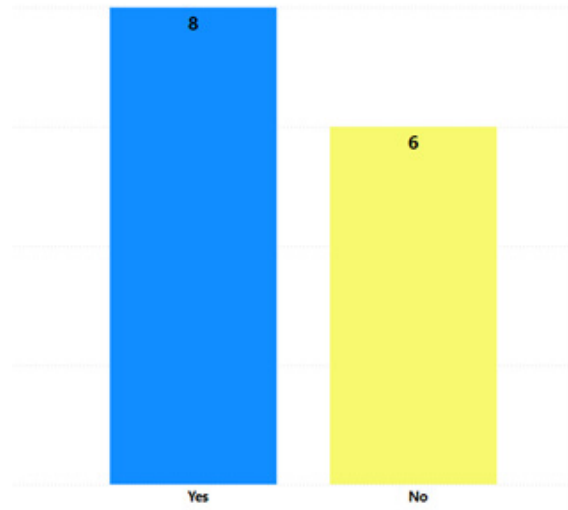
lish the SOF of the rent that is being received e.g. salary. Where funds are being received by the estate agent, it is also important that the means through which the funds are being transferred is also established, understood and documented.

Question 64

In a letting arrangement, do you establish the SOF for the landlord?

8 estate agents have confirmed to establish the SOF for the landlord in a letting arrangement with 6 estate agents confirming that this is not established.

Following analysis of the results from the Phase 1 questionnaire, it has been noted that there is a discrepancy within the answers provided within this question and in question 13, as 14 estate agents confirmed to be carrying out letting activity in this question whereas 16 estate agents confirmed to be carrying out letting activity in question 13.



Question 65

What SOF information or documentation would be obtained for the landlord?

This question consisted of a comment box. The 8 estate agents who confirmed to establish the SOF for the landlord provided some examples on what would be obtained for SOF. Some of the examples provided for this question included the comments on the right.

- “For low risk landlords, we will establish the SOF used to purchase the property being let. For any higher risk landlords, we would get additional information and verification of the SOF.”
- “Information is obtained on how the property being let was funded.”
- “Landlord registration form is completed by the landlord and the question of SOF is asked.”

For clarity, the requirement to take reasonable measures to establish the SOF is a risk-based requirement and the depth of research and evidence required to establish SOF is subject to the materiality and risk of ML/FT posed by

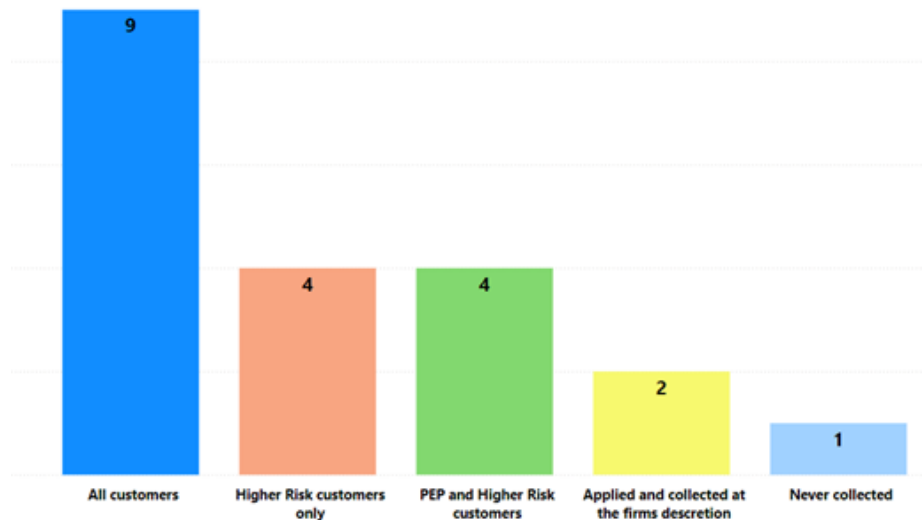
the specific customer. For landlords the estate agent must establish the SOF used to purchase the property that is being let.

Question 66

For which customer types is source of wealth collected or would be collected?

Out of the 20 estate agents, the majority have confirmed that SOW is collected on all customers. The breakdown was as follows:

- **All customers** – 9 estate agents
- **Higher Risk customers only** – 4 estate agents
- **PEP and Higher Risk customers** – 4 estate agents
- **Applied and collected at the firm’s discretion** – 2 estate agents
- **Never collected** – 1 estate agent



Relevant persons must take reasonable measures to establish the SOW for higher risk customers and PEPs (higher risk domestic PEPs and foreign PEPs). It is important to note

that SOW is distinct from SOF and includes the customer’s total assets which would include funds that may not have anything to do with the relevant person.

Question 67

What information or documentation would be obtained?

This question consisted of a comment box, allowing for all 20 estate agents to provide some examples on the information and/or documentation obtained for SOW. Some of the examples provided for this question included the comments on the right.

- “SOW information and documentation would be considered on a case-by-case basis for foreign PEP and high-risk customers.”
- “We ascertain from open data and interaction with the client.”
- “For higher risk clients, we would take reasonable measures to establish an understanding of the client’s entire body of wealth, asking for verification if deemed necessary.”



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