



## **Update to Heads of Compliance – Manx Museum 22 October 2024 Key themes and topics**

The [presentation slides](#) and [video recording](#) from the recent event hosted by the Isle of Man Financial Services Authority (“the Authority”) can be found on the [Webinar section](#) of the website. This document includes a summary of some of the key themes and topics arising from the presentation and panel session held at the event on 22 October 2024. This is intended to provide a high-level overview, if you have further questions or feedback on the event please contact the AML/CFT Division at: [aml@iomfsa.im](mailto:aml@iomfsa.im)

### **1. Supervisory approach and engagement**

- The Authority’s regulatory objectives are:
  - Protecting consumers
  - Reducing financial crime
  - Maintaining confidence in the financial services sector through effective regulation.
- We operate in an increasingly complex international environment. For the Island to be successful and maintain its reputation as an excellent place to do business, the Authority must be able to supervise firms effectively, therefore supervisory engagement may take various forms.
- Inspections are an essential part of the Authority’s approach to supervision and provide an opportunity for firms to demonstrate their compliance with the relevant legislation.
- The Authority’s [Inspections Guidance](#) provides an insight into how firms are selected for an inspection and what they can expect during the different stages of the process. The guidance is intended to promote transparency by providing typical timelines and by outlining the expectations placed on firms and the Authority.
- The Authority’s [Industry Survey Action Plan](#) also provides additional detail in relation to the inspections process.

### **2. Collaboration and Outreach**

- The Authority is an open, approachable and transparent regulator and seeks to work collaboratively with its many different stakeholders.
- We deliver a comprehensive programme of outreach and engagement to keep stakeholders informed of important news and updates.
- This includes issuing news releases, bulletins, newsletters, website updates, webinars and social media campaigns.
- Senior officers from the Authority speak at industry events to provide insight into our direction of travel and explain our priorities.

- We continue to be accessible for individual firms, and the larger regulated firms have a dedicated contact point within the Authority. We encourage firms to proactively engage with us early on particularly when they have matters of regulatory concern.
- Please also see the Authority's ["At a Glance"](#) document for further information regarding what is coming up in the near future.
- Feedback on the above methods of outreach is welcomed in relation to both topics and format.
- The initiative to update the [National Risk Assessment](#) ("NRA") is currently underway and work has begun collaboratively with industry working groups.
- The AML/CFT Handbook and sector guidance will be updated in due course following the completion of the NRA project.

### 3. Role of compliance function

- It is imperative to ensure firms' compliance functions are adequately resourced and appropriate support is provided to compliance by the Board.
- Please watch [the presentation](#), and [review the slides](#), for further information regarding ways in which firms can work to achieve this.
- The Head of Compliance ("HOC") must be Isle of Man resident, however the Money Laundering Reporting Officer is not mandated by legislation to be Isle of Man resident (except for insurers, insurance intermediaries and insurance managers) although there is a strong preference for local residency in respect of this role.
- The HOC and / or the compliance function have defined roles / responsibilities set out in the applicable legislation (e.g. Financial Services Rule Book, Corporate Governance Code of Practice for Insurers etc), and the MLRO is a defined role the expectations of which are set out in the AML/CFT Code 2019.
- Certain firms (for example banks and insurers) may be mandated by the applicable legislation to have an internal audit function.
- All firms are expected to regularly test their internal controls and frameworks (mandated by the AML/CFT Code 2019), prioritise compliance, and to maintain a strong culture of corporate governance. It is noted achieving independence in relation to the testing aspect can be more difficult in smaller firms; in such cases it should be considered how independent testing can be achieved and it might be appropriate to consider whether the use of further expertise from a third party would be helpful to assist with this. It is important that all control testing and monitoring is adequately scoped and fit for purpose depending on the nature, scale, and complexity of the firm with due consideration to its risk profile.
- We are working proactively with industry bodies to build knowledge and capacity, and to offer practical assistance and guidance for compliance professionals. Please see a recently issued "Dear CEO" letter issued by the Authority, [this letter](#) provides clarification of the Authority's F&P assessment approach, links to relevant guidance and frameworks together with the Authority's expectations of your firm in ascertaining whether an individual is, and remains, fit and proper.

## 4. Enforcement

- A credible threat of enforcement remains an essential piece of the regulatory toolkit. Cases are referred to our Enforcement Division where this is considered reasonable, proportionate and appropriate. The Authority has appropriate governance processes in place regarding any referrals.
- The level of enforcement activity is commensurate with the contravention(s) identified. We will take enforcement action where this is considered proportionate, reasonable and appropriate.
- There is a defined decision-making process within the Authority where material contraventions are identified in order to determine whether the particular case warrants a referral to the Enforcement Division, Enhanced Supervision or alternatively law enforcement if appropriate.

## 5. Innovation

- One of our goals is to work with industry to embrace innovation within a dynamic, appropriately regulated international financial sector.
- With this in mind, we have created a dedicated [website presence](#) to support the development of innovation in the Island. Our online content provides information about how to submit a licence application, an overview of the legislative framework, and guidance regarding best practice.
- The innovation hub also features a guide to our regulatory sandbox, which offers a way to test financial products or services in a live environment, while reducing the potential risks to consumers.
- Existing regulated firms and new applicants are encouraged to talk to us at an early stage about their proposals for fintech products and services.
- The Authority is working closely with the Digital and Finance agencies at the Department for Enterprise to support the Innovation Challenge and Insurtech initiatives.