



ISLE OF MAN
FINANCIAL SERVICES AUTHORITY

Lught-Reill Shirveishyn Argidoil Ellan Vannin

ANNUAL REPORT 2023/24





WHAT WE DO

As the Isle of Man's financial services regulator, the Authority is focused on its regulatory objectives of protecting consumers, reducing financial crime and maintaining confidence in the financial services sector through effective regulation.

The Authority was established as an independent Statutory Board on 1 November 2015 and provides a yearly update on its proceedings and activities to the Isle of Man Treasury by way of an annual report.

The report, which will be laid before Tynwald, covers the period 1 April 2023 to 31 March 2024 and includes the Authority's financial statements, audited in accordance with the Audit Act 2006.

What we regulate

[Financial Services Act 2008](#) and [Regulated Activities Order 2011](#)

- Class 1 Deposit taking
- Class 2 Investment business
- Class 3 Services to Collective Investment Schemes
- Class 4 Corporate Services
- Class 5 Trust Services
- Class 6 Crowdfunding platforms
- Class 7 Management/Administration of another licenceholder
- Class 8 Money transmission services
- Class 9 Credit Unions

[Insurance Act 2008](#) and [Retirement Benefits Schemes Act 2000](#)

Insurance business (including reinsurance)

- Life insurance (long-term business)
- Non-life insurance (general insurance business)
- Restricted insurance (captive insurance business)

Insurance managers

General insurance intermediaries

Trustees/administrators of retirement benefit schemes

What we register

[Designated Businesses \(Registration and Oversight\) Act 2015](#)

Our remit includes oversight of anti-money laundering and countering the financing of terrorism (AML/CFT) compliance for a wide range of businesses:

- Legal professionals
- External accountants, including bookkeepers
- Tax advisers
- Payroll agents
- Moneylenders
- Financial leasing and guarantees
- Convertible virtual currency (crypto) businesses
- Estate agents
- Dealers in high value goods
- Safe custody providers
- Specified non-profit organisations

MAKING A DIFFERENCE

The Authority continues to play a significant role in maintaining the Island's reputation as an outstanding place to do business.

We believe that sound regulation and economic growth go hand in hand. By helping to provide the right environment we support efforts to attract quality business, investment and jobs to the Island.

The theme for this year's annual report is 'Making a Difference' and highlights how the Authority is working in partnership with both industry and Government to achieve the aspirations set out in [Our Island Plan](#) for a thriving and sustainable financial services sector.

The imagery by local artist Ella Knight used throughout these pages represents fluidity and strength to reflect the Authority's recent journey of transformative change to a place where our updated approach to supervision is being embedded.

As well as offering a snapshot of the past year, the annual report provides an opportunity to share our plans for the future and explain how we are making a positive difference to the Island's:

- Reputation as a responsible and forward-looking partner to the international community.

- Commitment to combatting money laundering, terrorist financing, and proliferation financing.
- Strong track record of co-operation with international initiatives.
- Efforts to encourage fintech innovation.
- Ability to enable Island firms to successfully compete and develop their businesses.
- Adherence with international standards in respect of compliance and transparency.

We believe the Isle of Man's size is part of its strength, as it enables us to be nimble and responsive, and to address emerging issues in more timely fashion than some larger jurisdictions.

At the Authority we never stop listening and learning, and welcome feedback to help shape our priority workstreams and to enhance our engagement with Island firms. If you have any comments in relation to this annual report, please email info@iomfsa.im

Lillian Boyle, Chair of the Board

Given how fortunate we are to live on a beautiful Island, horizon views are integral to life. Scanning for horizon risks is also fundamental to being a forward-looking regulator and key to what the Authority does. We were asked in our annual meeting with the Isle of Man Economic Policy Review Committee how as a regulator we recognise and prepare for potential risks and new developments. We highlighted the work we undertake within our Board and Executive to build out our strategy, taking account of the likely direction of international standards, potential impacts from geopolitical changes in the markets where our businesses operate, and the pace of change in technology and innovation. Vigilance and sensitivity to the external forces that influence how the Authority manages its regulatory perimeter is an active enabler to creating a successful strategy, ultimately ensuring the Authority's ability to support the Island as a positive environment to do business.



OUR YEAR AT A GLANCE

Embedding our updated supervisory approach

We continued to embed the significant changes set out in last year's annual report, including a new organisational structure and updated approach to supervision. The intention is to better focus our resources on the greatest threats to our regulatory objectives. This transition is starting to deliver better outcomes for all parties by upskilling our officers and driving a consistent, proactive, and value-added programme of supervisory engagement.

Data gathering and analysis

Our data warehouse enables us to check the accuracy and quality of source data in order to realise the benefits of automated data validation. The introduction of STRIX AML, our new data collection and financial crime risk assessment tool, is enhancing the efficiency and effectiveness of our AML/CFT supervision of Island firms. It is also assisting other AML/CFT projects, such as the refresh of the Island's National Risk Assessment.

Inspections

Inspections are an integral part of our risk-based approach to supervision and provide an opportunity for firms to demonstrate compliance with the relevant legislation. Our officers conducted a total of 725 inspections during the reporting period, including 18 on-site, 115 desk-based and 592 beneficial ownership inspections. Our internal referral governance panel, which determines the most appropriate use of our resources and remediation toolkit, met 17 times, with five matters being referred to Enforcement for possible investigation, and three matters to our Enhanced Supervision team.

AML/CFT supervision

Thanks to funding from Treasury, we strengthened our AML/CFT Supervision Division to deal with current and future demands in respect of money laundering, terrorist financing, and proliferation financing. By stepping up supervision, outreach and education, we aim to demonstrate the long-term effectiveness of the Island's AML/CFT regime. During the reporting period, the Division completed 16 on-site and 105 desk-based AML/CFT inspections, including 49 as part of the TCSP business risk assessment thematic, and 51 as part of the accountancy customer risk assessment thematic.

Innovation

We continued to encourage innovation in collaboration with the Department for Enterprise's Digital and Finance Agencies, including supporting the Innovation Challenge. A collaboration agreement with leading AI start-up Regsearch is enabling the Authority to explore the possible use of the firm's regulatory AI system 'REGI'.

Depositors' Compensation Scheme

We acted on feedback to a public consultation to put in place proposals to update the existing framework to make the Depositors' Compensation Scheme (DCS) more effective, enhance the timeliness of payments, and maintain confidence and stability in the Island's financial system. This included starting the procurement process to implement a Single Customer View (SCV) mechanism, which enables smoother and faster pay-outs when the DCS is triggered by collating data about depositors' bank account balances.

Industry Survey

An action plan was drawn up in response to a comprehensive independent survey commissioned in 2023 to gather feedback from all the firms we regulate and oversee. We continued to progress plans to address the five main themes to emerge from the survey findings – Inspections, Transparency, Communications and Outreach, People Strategy, and Innovation.

Engagement

We enhanced our programme of engagement and outreach to share key information with Island firms through a wide range of communication channels. We continued to collaborate with industry groups and associations to deliver relevant support through joint workshops and in-person conferences. A collaboration with University College Isle of Man (UCM) is helping the Island's young people to gain the qualifications required to pursue a career in the finance sector.



OUR SUPERVISORY JOURNEY

The Authority has set in motion an ambitious programme of transformational change over the past three years.

Key projects include an updated supervisory methodology and organisational structure to best suit the financial services sector's continuing evolution. We also progressed the implementation phase of the move to a predominantly industry-funded model and continued the roll-out of advanced technology and data systems.

The bigger picture is to ensure the Authority operates as effectively as possible and remains up to date with an increasingly changing world. Our current focus is on embedding our new divisions, technology and supervisory engagement models.

We are continuing to move towards an approach that is more proportionate to a firm's size, the type of activities it conducts and its potential to disrupt the Island's financial system.

In a nutshell, it means the Authority's resources are increasingly concentrated on the biggest threats to our regulatory objectives. Higher risk and impact firms receive more regular attention, while we continue to deal with changing circumstances and address material risks as they arise.

We are confident the changes will deliver better outcomes by driving a consistent and proactive programme of supervisory engagement.

In line with the industry we oversee, our work is underpinned by the use of data and technology, leading to further automation, straight-through processing and exception reporting.

Throughout the pages of this annual report, our supervisory divisions explain how they are embracing the updated methodology and implementing the new engagement models to really make a positive difference.

As part of its internal restructuring, the Authority has strengthened its AML/CFT resources to meet current and future demands. This is not just about preparing for the Isle of Man's ongoing international evaluations, although the importance and visibility of these assessments cannot be overstated.

Combatting financial crime is – and will always be – a 24/7, 365-days-a-year undertaking. That is why it is imperative that the Authority and Island firms come together in a spirit of co-operation to tackle the challenges that lie ahead.

Bettina Roth, Chief Executive Officer

In 2022/23, we embarked on a transformational journey at the Authority, with a number of supervisory methodology and innovation initiatives that will ensure we continue to execute our regulatory objectives in an efficient and effective manner. These changes are underpinned by our commitment to continuous improvement and instilling a high performance culture. I would like to thank industry for the strong collaboration that is especially important in these turbulent times. I would also like to thank our team for supporting this transformation, their ongoing contributions, and unwavering commitment to the success of the Island.



GOVERNANCE PANELS SUPPORT A HEALTHY CULTURE OF CHALLENGE

The Authority's culture of robust and constructive challenge is an essential part of our commitment to achieving proactive and effective supervision.

We have established a number of governance panels to facilitate cross-divisional challenge, drive consistency of approach, and to support the Executive in satisfying itself that the Authority is exercising its judgement in a fair, proportionate and consistent manner.

Panels bring together a variety of experience and expertise and provide an opportunity for constructive discussion, reflection on the risks and issues we face and to critically challenge how we carry out our functions. Panels are therefore an important forum to:

- Drive consistency of approach to supervision.
- Deliver value for money by choosing the most effective and efficient tools to deploy in achieving our objectives.
- Share valuable and relevant experiences and learnings.
- Foster a culture of constructive challenge and accountability.
- Help supervisors and the Authority itself as an organisation to develop and improve ourselves, our systems and processes.
- Provide valuable information to inform our strategic decision makers.
- Break down silos of information and avoid "group-think".

For example, our referral governance panel focuses on the appropriate use of the supervisory toolkit to deal with matters of concern. The panel helps the Authority to reach consensus, while ensuring consistency, in respect of referral recommendations, including whether to escalate matters to our Enhanced Supervision Team and/or Enforcement.

Our approach is rooted in a desire to be proportionate and pragmatic. Where our supervisory activities identify issues, we set out to work with the firm so that it returns to a compliant position.

In most circumstances, remediation is our preferred course of action, and our toolkit includes options such as additional reporting, focused inspections, and the use of directions. We can also appoint an external party to gain independent assurance on the effectiveness of a firm's internal processes.

Statistics for the period 1 April 2023 to 31 March 2024 show that the Authority conducted a total of 725 inspections. The referral governance panel met 17 times, with five matters being referred to Enforcement for possible investigation, and three matters to Enhanced Supervision. Island firms are encouraged to work constructively with our officers throughout the process to maintain an open and honest dialogue.

Enforcement action remains a necessary option where our supervisory teams identify more material contraventions.

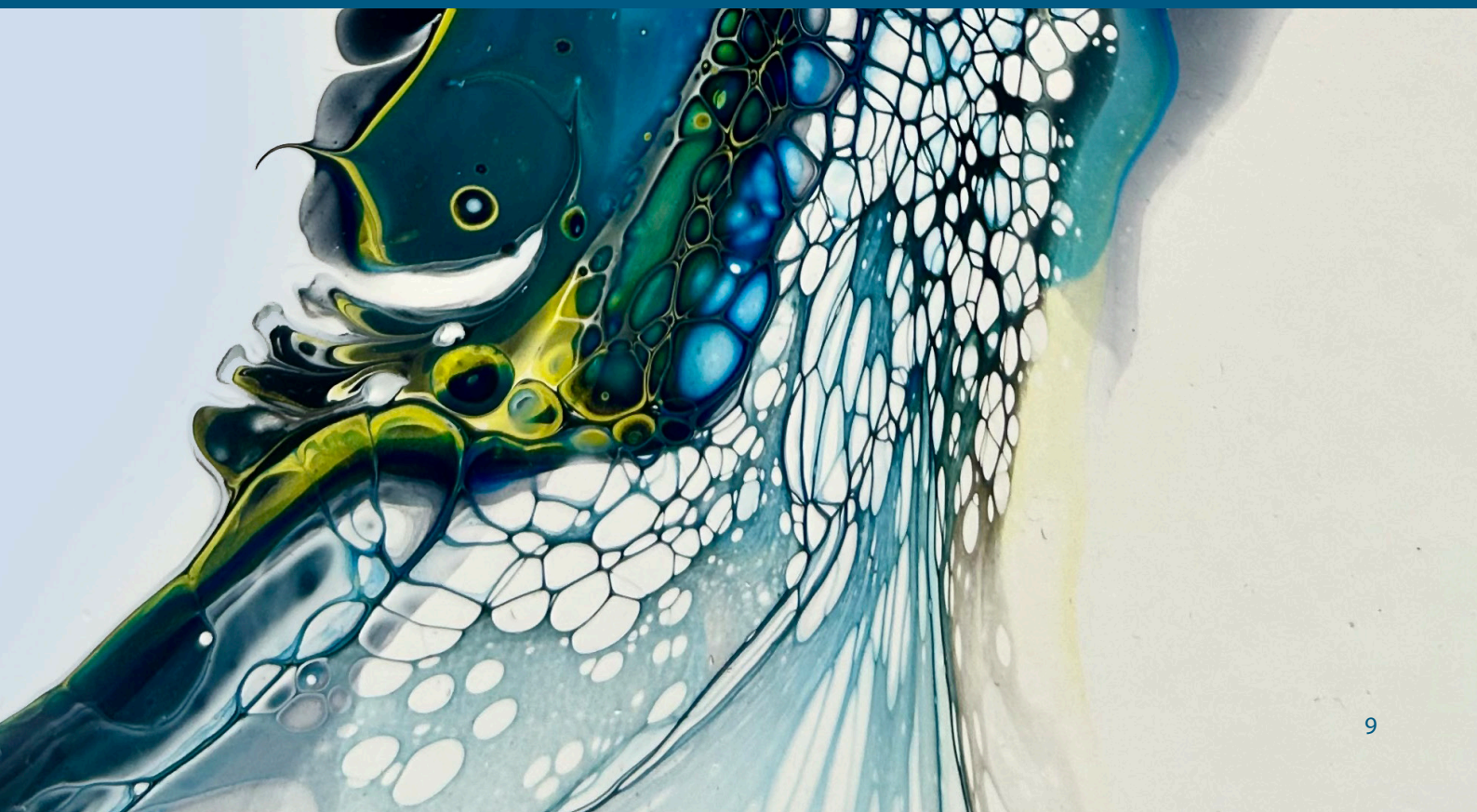
Civil penalties can be levied on firms as a result of successful enforcement actions. Settlement agreements include the publication of public notices that raise awareness of the findings of our investigations, along with key learning points for industry.

These notices serve as an important reminder that all firms undertaking business in the regulated sector have an obligation to conduct their affairs in a manner that adequately mitigates the risks they face.



Kevin Garland, Board Member and Chair of the Risk and Control Committee

This reporting period saw the Risk and Control Committee bring continued focus on the key risks facing the Authority, both internal and within its supervisory mandate. We applied renewed attention to reviewing and updating the Authority's risk management policy and framework, to ensure effective management of the operational and risk environment of the Authority. Emphasis was placed on the internal control environment to increase oversight of operational effectiveness and integrity of the Authority's operations. While recognising that we operate in a significantly changing environment we strive to have a weathered eye on the horizon risks facing both the Authority and industry and respond to relevant matters in a timely fashion.



HIGHLIGHTS AND KEY STATISTICS

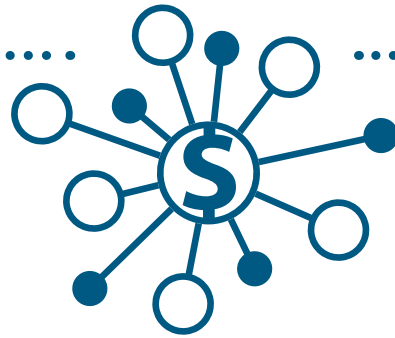
204

Number of outreach activities hosted or attended by officers from the Authority, including 166 domestic engagements, 33 international, and 5 both domestic and international



£42.27bn

TOTAL BANK DEPOSITS
AT 31 MARCH 2024



\$13.47bn

Net Asset Value of all collective investment schemes that Isle of Man firms provide services to at 31 March 2024

10

PUBLIC WARNINGS ISSUED TO PROMOTE CONSUMER AWARENESS AND PROTECTION



Total headcount at the Authority during the reporting period

£3,015

Amount raised by staff for the Authority's chosen charity for 2023, The Family Library



1449

Total number of Fitness and Propriety (F&P) assessments completed during the reporting period. This total comprises:

420 F&P1 Individual Questionnaire (notified and accepted Controlled Functions)

936 F&P2 Notification Only Form (notified only Controlled Functions)

75 F&P3 Controller Questionnaire (for Controlled Function R1) (a notified and accepted Controlled Function)

18 F&P4 Intermediate Controller Notification Form (for Controlled Function R3) (a notified and potentially accepted Controlled Function)

ACHIEVING BENEFITS THROUGH INNOVATION

External Innovation

Understanding and fostering innovation in the financial services industry is a priority for the Authority, as it is recognised that innovation can bring benefits to consumers, firms and society. However, it is important to balance the benefits and the risks to ensure consumer protection and the stability of financial services.

As a smaller jurisdiction, the Isle of Man benefits from the ability of the financial services regulator to work collaboratively with Government and respond to issues in a timely fashion. This is central to the Authority's continuing engagement with innovative firms across the financial services ecosystem. Partnership working helps to deepen our understanding of opportunities and risks, consider implications on our regulatory framework to ensure we operate a well-functioning system, and help firms prepare for their responsibilities as regulated firms.

During the reporting period, the Authority established an Innovation Hub thanks to our collaboration with the Department for Enterprise's Digital and Finance Agencies. The Innovation Hub provides a framework in which we can combine business, Government and regulators in a dialogue to understand new propositions and how we might best support them.

The aim of the Innovation Hub is to help innovators developing financial services using new technologies to navigate the regulatory landscape. Whether a start-up, or an established firm, the Innovation Hub provides a way for firms to engage with the Authority and to help understand what new products or services may require from a regulatory perspective. The Innovation Hub offers informal engagement, pre-engagement discussions, and subject matter expert meetings to support innovators.

We once again worked with the Digital and Finance Agencies on the Innovation Challenge. This year's challenge harnessed the power of our robust regulatory framework to foster collaboration among a range of stakeholders, resulting in sustainable and innovative technologies that tackle key issues in three core sectors – Fintech, Cleantech, and Data & AI.

In February 2024 we announced a collaboration agreement with start-up firm Regsearch to leverage AI capabilities for the benefit of the Isle of Man's business community. This collaboration underscores our commitment to embracing innovative technologies and strengthening our regulatory standards.

Internal Innovation

Our own innovation journey has continued at pace during the period. We have worked with industry to introduce new sector-specific returns and are extremely grateful for feedback that has enabled us to refine our data requests. Following this work, we are now better able to generate key data for relevant stakeholders, including industry, the Authority's Board, Isle of Man Government and international evaluators.

Further, the data we collect on our core system, Atlas, supports evidence-based decision making and our ability to devote more resources to value-added and risk-based supervision, both of which are crucial to our updated Supervisory Methodology Framework.

In 2022 we implemented a data warehouse for our regulatory returns, including financial flow data received from deposit takers, which has enabled us to further realise the benefits of automatic data validation, threshold check functionality to identify anomalies, and to streamline supervisory analytics and reporting functionality.

These improvements have led to the development of a wider and deeper data analytics capability and associated improvement in quality and timeliness of Key Performance Indicators (KPIs) and other reports. Additional returns are being updated in order for them to be loaded onto the data warehouse in a structured manner.

The planned migration of Atlas to a more modern and robust platform is intended to have the additional benefit of facilitating the implementation of a portal to streamline return submissions.

In addition, a new document management system will be implemented and embedded to bring further efficiencies to our supervisory processes.

Achieved 2023/24

- Established the Innovation Hub.
- Implemented and launched STRIX AML, which enables the Authority to receive, risk assess and analyse data from regulated and registered entities.
- Implemented and extended the use of our data warehouse.
- Developed data models/reports to facilitate data analytics and KPIs.
- Developed and configured a new document management system integrated with Atlas.
- Collaborated with AI firm Regsearch.

Planned 2024/25

- Finalise the implementation of the document management system.
- Continue to review, enhance and automate returns.
- Continue to transfer returns to the data warehouse.
- Extend Data Warehouse usage and reporting/ analytics.
- Consolidate and improve data analytics and reporting, standardising access to data from our systems and streamlining production of KPIs.



Lucy McClements, Board Member

Working with industry we have refined our data requirements to reduce duplication, as well as transferred our returns completed by firms to a new data warehouse. These are vital enablers to enhancing our data-driven supervision approach that uses automation and exception reporting of key risk indicators to deliver more efficient and effective risk-based supervision.

MAINTAINING A ROBUST AML/CFT FRAMEWORK

The Authority is one of many Government agencies that plays a key part in implementing the Island's Financial Crime Strategy to demonstrate that, as a jurisdiction, we are committed to maintaining an effective regime in relation to anti-money laundering and countering the financing of terrorism (AML/CFT). In doing this, we are helping to maintain the Island's reputation for having the highest standards of integrity and transparency.

The primary function of the AML/CFT Supervision Division is to supervise and oversee regulated and registered firms in respect of AML/CFT. The Division was formally tasked with responsibility for all AML/CFT matters within the Authority with effect from 1 April 2023. At a high level the activities of the Division include:

- The operation of risk-based AML/CFT supervision to assess firms' compliance with the AML/CFT Code 2019.
- Supervision of entities under the Beneficial Ownership Act 2017.
- Development of AML/CFT and Beneficial Ownership policy and guidance.
- Provision of AML/CFT education and outreach.

During the reporting period, the Division focused on ensuring that its resources and supervisory activities were concentrated on those areas that may pose a higher risk of money laundering, terrorist financing and proliferation financing.

A key development has been the implementation of a new risk analysis tool, STRIX AML, which is now the repository for AML/CFT data collected and held by the Authority. The use of this tool assists in producing a multi-faceted AML/CFT risk rating across the entire cohort of firms to inform the Authority's AML/CFT engagement plan.

There has been a real emphasis on enhancing AML/CFT outreach to our stakeholders and this is set to continue. In order to demonstrate AML/CFT effectiveness as a jurisdiction, it is essential the Authority provides education and support to our

industry sectors. In March 2024 we published our first AML/CFT newsletter which showcased our activities.

Efforts continue to be focused on preparing for international evaluations. All Government agencies took part in a diagnostic exercise conducted by an independent third party to review the Island's AML/CFT framework. This culminated in a Government-wide action plan to work towards improving AML/CFT effectiveness. As part of this action plan the Authority has consulted on proposed amendments to the AML/CFT legislative framework and held informative and useful working group sessions with industry to discuss the implementation of the 'Travel Rule Code', which mandates certain information must be attached to a virtual asset transfer.

Achieved 2023/24:

- Contributed to Isle of Man Government initiatives such as the Government-wide Financial Crime Action Plan and the Financial Crime Strategy 2024-2026.
- Developed an internal action plan to enhance effectiveness in relation to the AML/CFT legislation and guidance framework, and risk-based supervision.
- Progressed the transition of AML/CFT supervisory matters from all relevant divisions in the Authority to the AML/CFT Supervision Division, which now has responsibility for AML/CFT in all registered and regulated firms.
- Following the increase in responsibility the Division was able to increase resources to 22 staff members.
- Conducted a number of thematic reviews, which included themes such as the business and customer risk assessments required by the AML/CFT Code.
- Consulted on proposed changes to the Island's AML/CFT framework and held collaborative workshops to discuss the same with industry.
- Enhanced the AML/CFT outreach programme.

Planned 2024/25:

- Progress implementation of the Authority's AML/CFT long-term effectiveness plan, which feeds into the Government-wide AML/CFT action plan.
- Contribute to the Island's updated National Risk Assessment, including the development of both sectoral and topical risk assessments.
- Gather and analyse relevant AML/CFT data to assist the Authority's implementation of a more risk-based approach.
- Continue to operate the risk-based supervision plan, focusing on higher risk entities in line with the Authority's AML/CFT engagement model.
- Use AML/CFT data to publish up-to-date sector reports for both regulated and registered firms.
- Ensure continuous improvement to the Authority's guidance documents to feed in any relevant learnings from risk-based supervisory activities.
- Implement the 'Travel Rule Code', which mandates certain information is attached to a virtual asset transfer.
- Update Schedule 4 to the Proceeds of Crime Act 2008 and Schedule 1 of the Designated Businesses (Registration and Oversight) Act 2015 to ensure the terminology is consistent and changing CVC (Convertible Virtual Currency) to VASPs (Virtual Asset Service Providers) in line with international standards.
- Conduct further research on the current landscape regarding entities providing services to Family Offices.
- Update the AML/CFT Handbook where appropriate.
- Publish updated guidance issued under the Beneficial Ownership Act 2017.

Leam Thompson, Board Member

Countering illicit financial flows contributes to the achievement of the Authority's regulatory objectives and the AML/CFT Supervision Division plays a critical role in delivery here in the Isle of Man. An expanded and experienced team is supported by enhanced supervisory tooling, including the new STRIX system, which will materially assist the Authority in the implementation of an effective risk-based supervisory approach. Team members have prioritised awareness raising and outreach to industry, thereby complementing these technical advances with all-important personal engagement. They are to be congratulated on their rigour, commitment and tenacity, in a field where standards and their associated scrutiny increase at a furious pace.



A 'ONE-TO-MANY' APPROACH

In line with the Authority's updated Supervisory Methodology Framework, firms (excluding Banks and Insurers) determined to be low impact have now all transitioned to the new Portfolio Supervision Division, with a focus on the Authority's six key risk categories: Strategic Risk, Governance Risk, Conduct Risk, Operational Risk, Prudential Risk, and Client Asset Risk.

The supervisory engagement model in this Division is 'One-to-Many'. This means that while firms are still required to proactively engage with the Authority in line with published regulations and associated guidance, our direct interaction with firms will be predominantly on a collective basis, using thematic questionnaires and industry outreach.

Firms will also notice that annual business meetings are no longer part of the Division's, and therefore a firm's, regulatory calendar. Where heightened risk is identified, or specific matters to be discussed arise, one-to-one engagements will continue. Low impact firms now interact with the Portfolio Division through designated mailboxes.

The data focus within the Division is critical to enable us to meet our regulatory objectives and to be in a position to provide effective supervision to such a large cohort of firms across various sectors. We are collating all the existing data points held within our Atlas system, generated from our daily oversight of risk events, breaches and notifications, to create trend analysis information at the sector and risk category level.

The newly established statistical returns are starting to provide key data about firms and sectors, and the information we are able to extract will further inform our regulatory engagements for the future, as well as provide important exception reporting capabilities for current use.

Our engagement and outreach with professional bodies and associations continues to be a focus, providing direct and effective collaboration with sectors and industry professionals as a collective.

Achieved 2023/24:

- Organisational structure finalised and low impact firms (excluding Banks and Insurers) transitioned into the new Portfolio Supervision Division.
- Designated communications channels introduced for direct access to the Portfolio Supervision Team and the Authorisations Team.
- Development of an activity/event data-driven sector risk assessment tool to ensure our resources are focused on the greatest concerns within the portfolio of firms.
- Launched a suite of annual statistical returns and removed duplicated data requests from other annual regulatory submissions where appropriate.

Planned 2024/25:

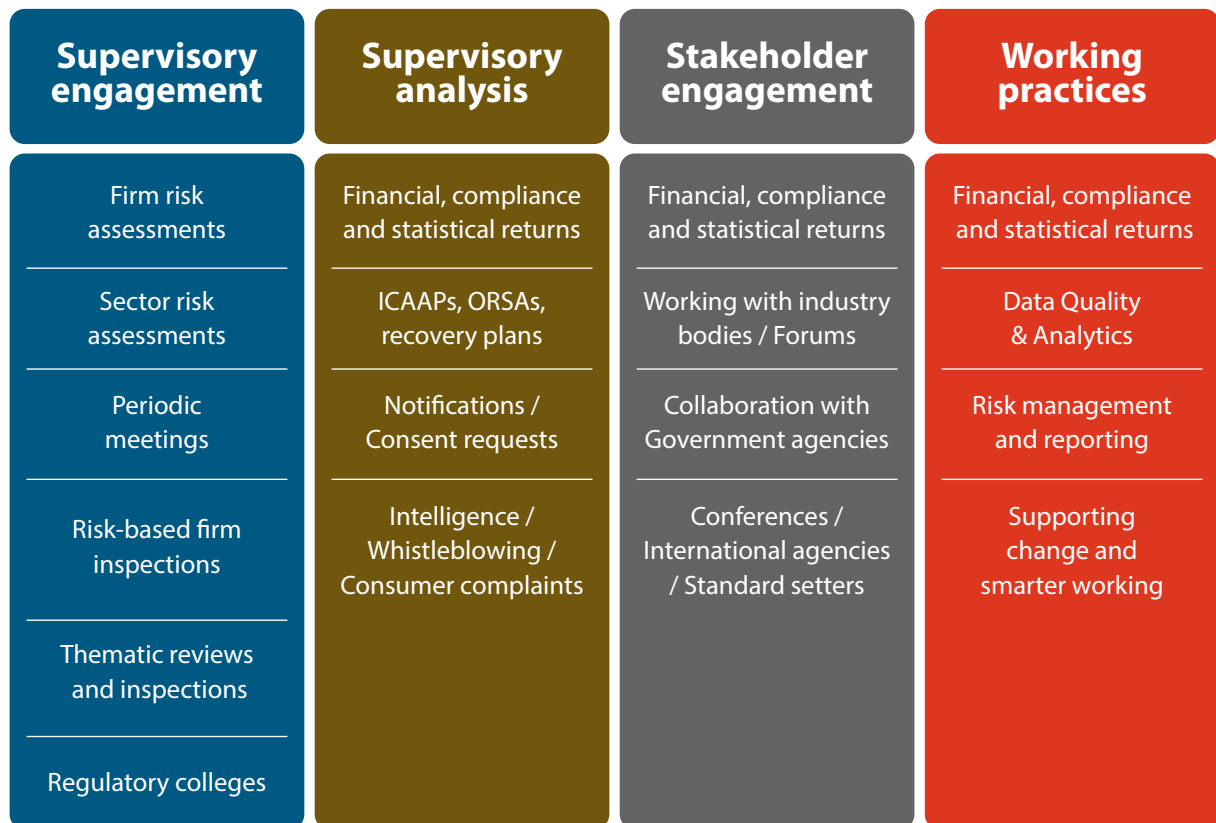
- Continue to develop our data-driven supervisory approach using the newly submitted statistical data and applying automation and exception reporting of key risk indicators.
- Commence our programme of thematic review work focusing on the six risk categories of the Portfolio firms where key risk indicators are triggered.
- Define our programme of industry outreach to support firms in meeting their regulatory obligations.
- Continue our regulatory engagements and collaborations with local and international associations, professional bodies and global standard setters.

PROTECTING CONSUMERS AT THE HEART OF OUR WORK

The Prudential Supervision Division operates through two dedicated teams – Banking and Insurance – and is responsible for:

- The prudential and conduct supervision of all banks, credit unions, insurers, insurance managers, and certain insurance intermediaries.
- The authorisation/registration of new insurers, insurance managers, and certain insurance intermediaries.
- Leading, or contributing to, the development and review of regulatory frameworks.

The Division’s approach to supervision consists of engagement with firms, sectors and other stakeholders, alongside supervisory analysis and review. To facilitate this, the Division seeks continuous improvement to its working practices, in particular streamlining processes and using data more efficiently. This approach is summarised as follows:



The focus of our risk-based supervision is on protecting consumers, one of the Authority’s three regulatory objectives. Consumers can suffer harm not only if a firm fails or does not adequately protect its clients’ assets, but also if its operational processes are not adequately controlled, or if its governance and strategic direction do not align to the best interests of its clients.

This is why we assess levels of risk in firms and sectors across the six core categories, as this view of risk and size (impact) helps to drive our supervisory engagement and depth of supervisory analysis.

Achieved 2023/24:

- Undertook a programme of business meetings with firms' executive management and compliance/risk functions. For a smaller cohort of firms, we also held meetings with internal auditors, actuarial functions, and independent non-executive directors.
- Participated in regulatory colleges for certain banks and insurers.
- Prepared the first tranche of firm and sector risk assessments using the updated supervisory methodology.
- Considered a range of change of control applications, transfers of business or re-domiciliation of insurers, and the establishment of an overseas branch by a locally incorporated bank.
- Developed updated annual regulatory (statistical) reporting for insurance intermediaries and insurance managers.
- Worked with our AML/CFT Supervision Division, including conducting three firm-specific inspections, and transitioning various workstreams.
- Undertook planning work for launching a thematic review into banks' operational and cyber resilience frameworks.
- Completed thematic reviews into life insurers' approach to managing lapse and expense risks in a higher inflationary environment, and low impact insurers' approach to Own Risk and Solvency Assessments (ORSAs).
- Monitored trends in local residential mortgage rates compared with applicable UK equivalent products and requested banks to explain any material pricing difference.
- Continued to liaise with the UK Payment Systems Regulator, and colleagues in the Crown Dependencies, in relation to changes in UK legislation to protect consumers from Authorised Push Payment (APP) fraud.

Planned 2024/25:

- Continue to embed and develop our supervisory methodology, including completing all new format firm and sector risk assessments, and undertaking a small cohort of risk-based firm specific inspections.
- Commence a series of governance-based inspections focused on banks and insurers that operate branches overseas.
- Undertake the thematic review of banks' operational and cyber resilience frameworks.
- Continue our monitoring work, and associated actions, in respect of local mortgage market pricing and APP fraud.
- Commence a thematic review across a cohort of banks and life insurers focused on Environmental, Social and Governance (ESG) and climate risks.
- Commence a series of conduct-focused thematic reviews in the life insurance and insurance intermediary sectors.
- Continue to review prudential risk practices in larger insurers through thematic-based exercises.
- Continue to seek improvements in working practices, including approach to branch supervision (banking), reviews of banks' Internal Capital Adequacy Assessment Processes (ICAAPs) and recovery plans, and insurers' ORSAs.
- Roll out new annual statistical reporting for insurance intermediaries and insurance managers and develop new reporting for insurers and banks.
- Some of the above workstreams will extend into 2025/26 in line with the Division's operational plan.

PUTTING IN PLACE APPROPRIATE SAFETY NETS

Part of our remit of ensuring consumers are appropriately protected also includes having effective and proportionate regulations, rules and guidance that firms have to comply with. This includes having safety nets in place if things do go wrong and consumers suffer loss. Making sure our regulatory frameworks are up to date in the context of the nature and size of the banking and insurance sectors is therefore an important and continually developing part, of the Authority's, and the Division's, role.

Achieved 2023/24:

- Completed a high-level review of the updated Basel Core Principles for Effective Banking Supervision (BCPs) to help us identify any material gaps for future planning.
- Published updates to our supervisory guidance in respect of bank recovery plans, ICAAPs and our approach to domestic systemically important banks.
- Initiated the project to develop an updated liquidity framework for banks based on the Basel III standards.
- Published updated guidance in respect of the Insurance Regulations 2021.
- Continued to monitor international developments in insurance recovery, resolution, and insurance guarantee schemes.
- Worked with Treasury's Income Tax Division to understand the impact of the Organisation for Economic Co-operation and Development (OECD) Pillar 2 global minimum tax on the Island's insurance sector.
- Issued two insurance consultations; one covering proposed changes to the insurance capital and solvency frameworks, and another covering a wider set of proposals pertaining to an update and integration of the Insurance Regulations 2021 with the Insurance (Special Purpose Vehicles) Regulations 2015. The latter proposals also include provisions in respect of fast-track insurance authorisations, insurance regulatory sandboxing, and potential restrictions on activities undertaken alongside regulated insurance activities.

Planned 2024/25:

- Develop a longer-term plan to address any material gaps in our banking regulatory framework, or approach, with reference to the new BCPs.
- Develop and consult on proposed updates to the liquidity framework for banks based on the Basel III standards.
- Progress the proposed changes to the insurance frameworks consulted on, including implementation of the legislative provisions, and associated regulatory guidance, returns, and forms. This includes refining and clarifying the approach to insurance permit holders.
- Develop a plan for the next phase of work for our approach to recovery planning for insurers and continue to monitor international developments.
- Through engagement with industry, undertake a review of applicable guidance and policy approaches in respect of, primarily, the captive insurance sector, including the Corporate Governance Code of Practice.
- Review uncompleted items from the 'Insurance Core Principles (ICP) roadmap' (includes public disclosure and group supervision – non-life) and communicate an updated plan with industry.
- Some of the above workstreams will extend into 2025/26 in line with the Division's operational plan.

SUPERVISING HIGH AND MEDIUM IMPACT FIRMS

The HMI Supervision Division is responsible for the supervision of high and medium impact firms licensed under the Financial Services Act 2008, except for Banks and Insurers that are supervised by the Prudential Division.

HMI firms are generally larger entities and their high or medium impact classification includes an assessment of the value of assets managed, revenue, number of customers, and staff.

During the reporting period, the HMI Division commenced firm engagement and business meetings in line with the updated supervisory methodology, recruited new staff, participated in industry forums and regulatory colleges, and drafted initial firm risk assessments to support the 2024/25 risk assessment initiative.

To allocate the Authority's resources in the most efficient manner to meet its regulatory objectives and to support the revised supervisory approach, the HMI Division is currently focusing its resources on the following:

Key supervisory priorities:

- Complete all firm risk assessments across the six core risk categories. The outcomes of these risk assessments will enable the Authority to focus on specific firm risk areas and to develop targeted scopes for risk-driven proactive engagement.
- Complete an inspection programme which includes inspections, meetings with executives, risk and compliance, non-executive directors, and other key functions.

The HMI Division is also engaged in the following industry outreach:

- Sector industry forums - Association of Corporate Service Providers (ACSP) and IOM Wealth and Fund Services Association (IOMWFSA).
- Participation in regulatory colleges (six scheduled in the next reporting period).

Brandon Horwitz, Board Member

Since joining the Board in July 2023, I have been very impressed by the professionalism and dedication of the staff working at the Authority. I continue to learn more about the systems and processes that we use to achieve our objectives, as well as the important role of the Board in overseeing their effectiveness. I observe a strong risk-management focused culture in the organisation, with decisions guided by careful consideration of the impacts on achieving our objectives and upon our licenceholders. It is also good to see a dual focus on becoming more data led as a regulator while still offering access to real people for current and prospective regulated firms.



MAKING BEST USE OF OUR REMEDIATION TOOLKIT

The Enhanced Supervision Team supports the Authority's updated supervisory methodology by focusing on firms that pose the greatest threat to the Authority's regulatory objectives, in circumstances where remediation is considered possible and appropriate. The team's approach seeks to encourage firms to return to a compliant position, while also protecting consumers.

In instances where our supervision divisions identify matters of material concern, the Authority will determine whether such matters should be referred to Enhanced Supervision for enhanced regulatory oversight. Occasions may arise where matters are simultaneously referred to both Enhanced Supervision and Enforcement.

The Enhanced Supervision Team will consider the circumstances of each matter to determine the level of regulatory intervention required. The regulatory intervention may include the issuance of written directions imposing certain requirements on firms.

Regulatory intervention may also include the appointment of a reporting professional who will report back to the Authority on matters determined by the Authority and agreed by the firm. In some circumstances, it may be considered proportionate to seek the appointment of a court-appointed manager, receiver and/or liquidator.

Enhanced Supervision aims to work in collaboration with firms wherever possible, to follow a reasonable path of remediation and return the firm to its normal business operations, while adopting a risk-based approach and using intervention measures from the supervisory toolkit that are commensurate to the potential for harm from non-compliance.

Achieved 2023/24:

- The Enhanced Supervision Team was established on 1 April 2023 and is now fully staffed and operationally effective.
- Matters that are managed by Enhanced Supervision relate primarily to medium and high impact rated firms, aligning Enhanced Supervision's operations with the updated supervisory approach.
- A number of intervention measures have been utilised that have translated into positive outcomes, including faster and more comprehensive remediation.

Planned 2024/25:

- Continue to closely monitor and manage matters of material concern via:
 - Regular progress updates from firms in remediation, ensuring the corrective actions are being undertaken to mitigate any risks identified.
 - Ongoing engagement with directors and senior management of relevant firms.
 - Overseeing work of independent professionals/court-appointed third parties, where appropriate.

Peter Reid, Board Member

As one of the newest members of the Board, joining midway through 2023, I have been able to observe and support the transformational journey being undertaken internally and externally by the Authority. Also, as a member of the Human Resources and Compensation Committee supporting the direction and implementation of this programme, it has been especially successful in offering development opportunities, succession planning and improved retention of colleagues, whilst introducing greater diversity and expertise to the Authority. Coming from industry to the regulator, the commitment and professionalism of colleagues has really impressed me and is a credit to the work of the Authority team.



PROMOTING EFFECTIVE CONTROLS AND GOVERNANCE

A proportionate and effective Enforcement Division is an integral part of the regulatory environment and helps the Authority to fulfil its objectives and meet international standards.

The Authority operates a risk-based approach to supervision, which is supported by the credible threat of enforcement. Our regulatory strategy is aimed at promoting effective controls and governance amongst regulated and registered firms, and appropriate behaviours for those who work within firms.

We will take appropriate action through Enhanced Supervision or Enforcement where firms and/or individuals fall short of those expected standards of behaviour.

The referral governance panel process ensures a consistent and transparent assessment of cases which are internally referred to the Enforcement Division.

The Enforcement Division is continuously evolving its prioritisation matrix to ensure that enforcement is pursued where proportionate, reasonable and appropriate; it is applied in a consistent manner and the correct level of resource is allocated to effectively manage the investigations.

Achieved 2023/24:

- A total of four civil penalties were issued on firms, resulting in a total of £1,581,811 being levied as a result of successful enforcement actions, including the use of settlement agreements.
- Two prohibitions of individuals were made during the reporting period.
- Ten public warnings were issued to promote consumer awareness and protection during the reporting period.
- A number of Enforcement Legal Powers were issued, covering the scenarios of power to attend the Authority for interviews, and power to request and require information in support of ongoing investigations.

Planned 2024/25:

- Continue to bring open investigations to appropriate conclusions.
- Focus on the development of the resource within the Division.
- Complete the current review of the Enforcement Decision Making Process (EDMP), with a view to refining and enhancing the process.
- Build out the intelligence function activity to assist with greater supervisory effectiveness, protecting consumers, and reducing financial crime.

SHAPING OUR LEGISLATIVE FRAMEWORK

The Policy & Risk Division covers policy and risk management functions and works to maintain the Authority's regulatory frameworks, monitor international developments, and make recommendations to enhance effectiveness.

The Division is responsible for identifying proposed changes to legislation, regulations and related policies, managing consultations with stakeholders, and drafting secondary legislation, such as the Financial Services Rule Book, Regulations and Orders.

Officers within the Division also maintain the Authority's Enterprise Risk Management Framework and related policies, which support the organisation's internal risk and controls environment. This seeks to ensure that risks to the Authority's objectives, both strategic and operational, are identified and are subject to appropriate mitigating controls.

The Division has other key roles in supporting the Authority's information governance framework by advising on data protection and freedom of information matters, and maintaining the internal oversight framework for priority initiatives, which link to our strategic work.

In terms of shaping the legislative framework, the Authority introduced various updates during the reporting period and continued to progress a number of significant projects.

Achieved 2023/24:

- Audit Working Papers Regulations 2023 came into operation in November 2023 alongside related guidance. They introduced a requirement for audit firms to share audit working papers with successor auditors to reflect practices in other jurisdictions.
- Discussion Paper on Regulation of Crypto-Asset Activities was published on 13 February 2024. The consultation closed on 9 April 2024. Responses are being considered and the Authority plans to issue a Feedback Statement in 2024/25.
- Financial Services (Deposit Data) (Amendment) Rule Book 2024 came into operation in May 2024. This enables the Authority to gather deposit data from banks for use with a Single

Customer View (SCV) system, which is being developed as part of updates to the Depositors' Compensation Scheme.

- Bank (Recovery and Resolution) Administrative Levy Order 2023 was made on the recommendation of the Resolution Authority and came into operation in July 2023.

Planned 2024/25:

- In 2024/25, the Authority plans to consult on two Bills to amend existing regulatory legislation. Drafting of both Bills continued during 2023/24. Drafts of both Bills are currently being considered and revised before consultation can take place.
 - Retirement Benefits Schemes (Amendment) Bill. This will update the regulatory framework for pension service providers.
 - Financial Services (Miscellaneous Provisions) Bill. This will update the Financial Services Act 2008, Insurance Act 2008, Collective Investment Schemes Act 2008, and Designated Businesses (Registration and Oversight) Act 2015.
- New and amended secondary legislation is also planned in relation to the above Bills.
- Implement an updated approach to consultations on the Isle of Man Government [Engagement Hub](#).
- Review the civil penalties regimes.
- Initiate a review of Financial Services Rule Book requirements for firms under the Financial Services Act 2008.
- Contribute to the Sustainable Finance initiative co-ordinated by Finance Isle of Man.
- Support the Prudential Supervision Division to develop and consult on proposed updates to the liquidity framework for banks based on the Basel III standards.

A MATURING RISK ENVIRONMENT

The Authority's approach to Enterprise Risk Management (ERM) has continued to mature over the last 12 months, as we seek to provide greater assurance of our risk universe to our key stakeholders.

Maturity of risk reporting is demonstrated through the launch of our Operational Risk Event (ORE) reporting process, which has enabled effective trend analysis and mitigations for issues identified by Authority staff. This is generally showing good governance and has also helped to support the Authority on its journey towards becoming a more data-driven regulator.

In the last reporting period, we continued the theme of transformation of our risk structures and tools with the publication of the Authority's updated Enterprise Risk Appetite Statement (ERAS). This was complemented by a revision to our ERM Framework and the approval of a risk management policy.

The Authority continues to develop its identification, measurement, management and escalation of risks through its quarterly ERM lifecycle and presents various reports to the Authority's Risk and Control Committee to provide assurance over its risk and control environment.

Achieved 2023/24:

- Published the Authority's Enterprise Risk Appetite Statement (ERAS).
- Implemented internally focused principal and subordinate risk categories.
- Revised the Authority's Enterprise Risk Management (ERM) Framework.
- The Authority's Risk Management Policy was approved.
- Continued control assurance testing.
- Establishment and maturity of the risk management lifecycle.
- Tested the Authority's incident management and business continuity response in relation to a loss of premises and, separately, a cyber-attack.
- Piloted Key Risk Indicators (KRIs).

Planned 2024/25:

- Ongoing risk awareness, training, and risk culture workshops.
- Further enhancements to control assurance testing.
- Support internal structures in the identification of process improvements through the identification of control deficiencies and risk events.
- Identification of risks impacting the Authority's strategic plan.

Key Principal Risks

The Authority has identified the following Key Principal Risks to its objectives for 2024/25:

Cyber Security

The risk of the Authority being exposed to a cyber-attack through deficient or inappropriate security protocols, either through staff management, outsourced security management or through the supply chain.

Geopolitical Environment

The risk to the Authority posed by international instability from a political and trade position, together with government responses to global unrest. Changes in political approach by the UK may impact the Island Plan, as well as the Authority's objectives. There could also be risks to regulated entities reacting to ever-changing governance and profitability concerns.

AML/CFT Long-Term Effectiveness

The risk that the Authority is unable to adequately introduce measures that would demonstrate effective AML/CFT supervision due to political, financial, capacity or technological deficiencies, resulting in incomplete or undocumented technical capabilities or outcomes, which would impact the result of the Island's next mutual evaluation.

ENHANCING INTERNATIONAL CO-OPERATION

International co-operation remains a critical component of ensuring banks with cross-border activities can be resolved. The Isle of Man Resolution Authority continues to work with counterparts in other jurisdictions to overcome any barriers to resolvability.

During uncertain times it is more important than ever to keep a watching brief on international developments in both the Resolution and Deposit Compensation (RDC) fields. Our RDC team achieves this by continuing to actively engage with the International Association of Deposit Insurers (IADI), the European Forum of Deposit Insurers (EFDI), the Affiliation of Micro European States (AMES), and the Forum of Resolution Authorities in Micro European States (FRAMES) by attending meetings and seminars, and sharing best practice.

Resolution

The international financial landscape continues to bring new challenges, as seen in 2023 following the failure of several banks internationally. Banks and regulators need to be agile to ensure their policies, procedures and strategies are sufficiently flexible to adapt in the complex area of resolution.

A critical function of a Resolution Authority is its preparedness through the creation and continuous updating of the resolution plans of licensed deposit takers.

Achieved 2023/24:

- Resolution/resolvability plans completed for all Isle of Man incorporated banks.
- Moody's upgraded its rating for the Isle of Man Resolution Authority to 'Operational', which is a positive assessment by an independent agency of the progress being achieved.

Planned 2024/25:

- Proactive calling plan in place for 2024 to facilitate updating and improving resolution/resolvability plans with all banks.
- Further operationalisation of resolution, including continued development of a communication playbook, as well as playbooks for the invocation of resolution strategies such as orderly winding up of a bank, sale of business tool and single point of entry bail-in.
- Begin consideration of testing or simulation of plan execution to improve preparedness.

Pete Hahn, Board Member and Chair of the Resolution Committee

The Resolution Committee oversaw the Authority's completion of first round resolution plans for all incorporated Isle of Man banks. While these efforts greatly assist the Authority's preparedness in the event of failure at a bank, the production of the plans also provided or identified key information for both the Authority to enhance its supervision and for banks to improve their efficiency and risk management. In the next year, the Committee looks forward to developing processes to simulate plan activation and apply testing to plans to ensure continual improvement.





DEVELOPING A NEW FRAMEWORK FOR DCS

During the reporting period, the RDC Team has been instrumental in progressing a review of a new framework for the DCS, including updating legislation to ensure it is in line with the requirements of the International Association of Deposit Insurers (IADI) core principles as far as possible, practical and proportionate.

Achieved 2023/2024:

- Regular engagement with the banking industry and Treasury through working group meetings.
- Issued a public consultation and published the summary of responses.
- Procurement for the appointment of a third-party provider to support the banking industry with the implementation of Single Customer View (SCV) which will facilitate the speedy payment to eligible depositors should the DCS be invoked.
- The amendment to the Financial Services (Deposit Data) (Amendment) Rule Book 2024 was passed, to request banks to submit to the Authority sufficient information for eligible depositors to allow DCS payments to be made promptly.

Planned 2024/2025:

- Implement the SCV mechanism.
- Continue engagement with the banking industry/ Treasury.
- Publish a public consultation relating to other key features of the DCS.
- Host a face-to-face Affiliation of Micro European States (AMES) event in October 2024.
- Implement an amendment to the Financial Services Rule Book to allow the Authority to pass the charges relating to the third-party provider of the SCV mechanism onto relevant banks once costs are known.

DRIVING CONTINUOUS IMPROVEMENT

Finance

The Authority continued to operate within its budget agreed with Treasury for 2023/24. On 1 April 2023, the Authority began a transition towards a predominantly industry-funded model. Fee income for 2023/24 was £6.3 million (2022: £4.2 million). Further increases in fees will be phased in for 2024/25 and 2025/26. Consultation on any changes to the fee structure from 1 April 2026 will take place during 2025/26.

From 1 April 2023 the Authority Funding Model allows the costs of enforcement, including legal costs, to be offset against discretionary civil penalty income. Discretionary civil penalty income of £1.6 million was received in the year and the balance after enforcement costs was passed on to the Treasury. Civil penalties are not budgeted and the income is expected to vary from year to year.

Fee income was supplemented by a Government grant of £1.2m (2023: £3.5m). The Government grant was lower than forecast for 2023/24 due to the receipt of discretionary civil penalty income.

As of 31 March 2024, the Authority has begun publishing a balance sheet in addition to its income and expenditure account. In previous years, assets and liabilities were reported within the Isle of Man Government's financial statements.

Human resources

Recruitment continued to be a priority for the Authority, as the majority of the remaining vacancies in our AML/CFT Supervision Division were filled. Persistent inflation and the impact of the cost of living on the local employment market presented challenges both to recruitment and retention, but the additional AML/CFT resources increased the total headcount in the period from 89 to 95.

A programme of line manager training was executed throughout the year to further embed the Authority's performance management framework. Cybersecurity training continued and has been augmented with periodic phishing tests. On the professional development front, a number of staff completed qualifications offered by the Chartered Governance Institute, the International Compliance Association, and the Institute of Risk Management.

Mark Waterhouse, Board Member and Chair of the Human Resources and Compensation Committee

It has been a busy time for the Human Resources and Compensation Committee (HRCC) and the Authority's Operations Division, with a number of people development initiatives being progressed alongside the regular HR and recruitment responsibilities. It has been particularly pleasing to see many internal appointments and promotions, reflecting the hard work in developing key individuals and making the Authority a great career choice. There have also been some excellent external appointments, all of whom have hit the ground running. The Authority continues to strive towards a high-performance culture and this year we put our training and coaching resources into ensuring that our performance managers are fully equipped to deliver in this key area. Going forward, our three focuses are succession planning, employee engagement, and continued career development.



Environment

In accordance with the Climate Change (Public Bodies' Reporting Requirements) Regulations 2022 (as amended), the Authority has published on its website its annual return for 2022/23, which was issued by the Department for the Environment, Food and Agriculture in January 2024. Net emissions for the reporting period were 77,942 kgCO₂ resulting from the consumption of electricity and gas.

The Authority occupies rented premises and does not operate any vehicles. Staff have formed an Environmental Team to focus on effecting behaviour change in order to encourage energy efficiency. To this end, the team produces periodic staff newsletters and runs awareness campaigns.

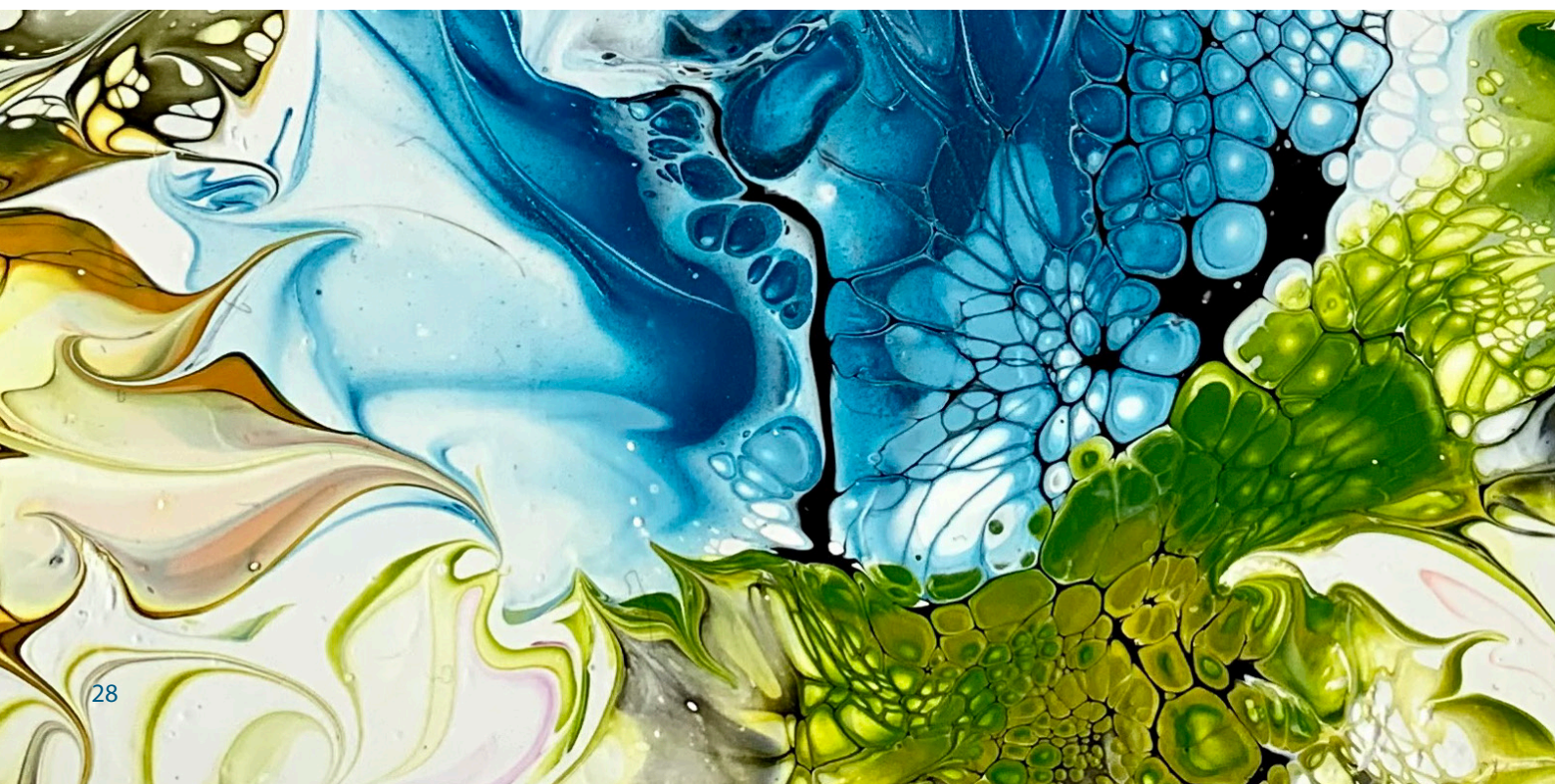
Approval of off-Island business travel for conferences and events is subject to consideration of the environmental impact of both flights and ground transport. Virtual attendance is considered as an option where appropriate.

Staff wellbeing and volunteering

Talks and training sessions on wellbeing were run throughout the year, with subject matter experts presenting tips and techniques for healthier living. Topics ranged from financial wellbeing to maintaining good physical and mental health.

The Authority's chosen charity for 2023/24 was the Family Library. £3,015 was raised by staff participating in a range of fundraising activities such as dress-down days, in addition to donations of books, games and craft materials. The chosen charity for 2024/25 is the Isle of Man branch of the Alzheimer's Society.

Staff volunteers continue to co-ordinate the Authority's recycling efforts and conduct periodic litter-picking in the vicinity of Finch Hill House. In September 2023, the Authority partnered with Beach Buddies to clean Douglas and Port Soderick beaches and a section of Marine Drive.



HARNESSING INNOVATION AND AI

We operate within a dynamic industry and remain open to fresh thinking in order to keep pace with evolving markets, services and products.

Embracing innovation within an appropriately regulated environment is one of the Authority's priorities. To this end, we continue to work closely with the Digital and Finance agencies at the Department for Enterprise to create the right ecosystem, as well as support the Innovation Challenge and Insurtech Accelerator Programme.

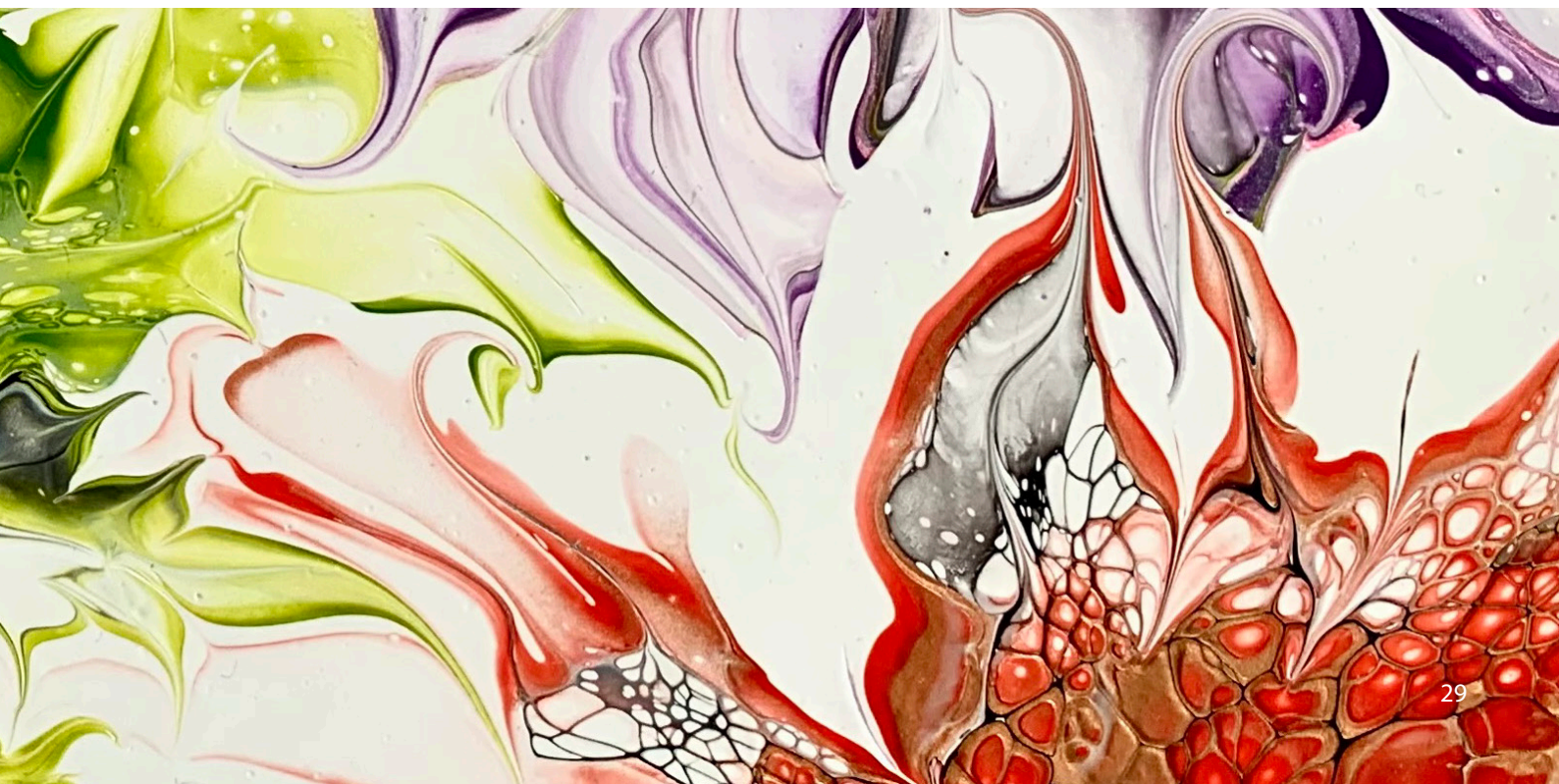
AI will play an increasingly important part in our personal and professional lives in future, and the Authority has signed a collaboration agreement with Regsearch to further explore the use of its AI system 'REGI'. This forms part of our plans to harness technology to drive operational efficiencies and enhance compliance with regulatory standards.

Regsearch captured our interest during the demo day for the Insurtech Accelerator Programme in January 2023. Since then, our officers have taken part in a series of workshops alongside other Government agencies and representatives from Island firms.

Development continues to take place and only after the system has been extensively tested and approved in line with our internal governance protocols will it be considered for possible use on the Authority's website.

Our existing online Innovation Hub 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.

Internationally, the Authority monitors fintech developments around the world as a member of the Global Financial Innovation Network. This outreach helps to strengthen the Isle of Man's reputation as an agile and forward-looking jurisdiction.



WORKING IN PARTNERSHIP

Collaboration and transparency continue to be at the very heart of everything we do at the Authority.

We are committed to working in partnership with industry bodies and other government agencies to build on the strong foundations already in place in the Isle of Man. Together we can help to create the right environment to help existing businesses to flourish and to encourage new fintech innovation.

We deliver a comprehensive programme of outreach and engagement to provide stakeholders with clear, consistent and honest communications around our expectations for compliance. This includes issuing news releases, bulletins, newsletters, website updates, webinars and social media campaigns. A series of in-person events is also being organised to explain key issues in more detail, to listen to concerns and to answer any questions.

Firms will notice an uptick in terms of data requests in the time ahead, including thematic reviews, questionnaires and returns. We appreciate that businesses are dealing with a significant workload, and that much of it falls on compliance teams that are already stretched. Consequently, our officers are working proactively with industry bodies to build knowledge and capacity, and to offer practical assistance and guidance where we can.

We are also aware of recruitment challenges within industry, particularly in relation to compliance roles, and are partnering with University College Isle of Man to support the delivery of training and education in business administration, compliance and anti-money laundering.

This exciting collaboration with UCM aims to help students gain the relevant qualifications they need to pursue a career in the finance sector. The City and Guilds Level 3 Diploma in Business Administration includes modules on compliance and AML/CFT, with the option to complete the ICA Certificate in Compliance.

Staff from the Authority, together with industry professionals, are assisting the delivery of these modules, providing information and first-hand knowledge about the Island's regulatory framework and AML/CFT landscape. A number of our officers have also volunteered to act as mentors to help students work towards their ICA qualification.

In a broader context, the Authority serves as a key partner in a number of cross-government working groups, driving progress and building a solid body of evidence to enhance the Island's reputation as an internationally compliant jurisdiction.

MEETINGS OF THE AUTHORITY

During the reporting period 1 April 2023 to 31 March 2024 there were 8 scheduled meetings of the Board of the Authority.

There are three sub-committees of the Board: the Human Resource and Compensation Committee, the Risk and Control Committee, and the Resolution Committee.

During the reporting period:

- The Risk and Control Committee met 4 times.
- The Resolution Committee met 3 times.
- The Human Resource and Compensation Committee met 4 times.

USEFUL LINKS

- The functions of the Authority are set out in paragraph 2 of Schedule 1 to the [Financial Services Act 2008](#)
- [Biographies of our Board Members](#), the [Code of Conduct for Board Members](#), an overview of our accountability and corporate governance, and details about the [Authority's three standing committees](#) are available on the Authority's website.
- [Consultations](#) issued by the Authority are published on the Isle of Man Government's Engagement Hub.
- [Register Search](#) of current and former regulated entities.
- [Legislation and Guidance](#)
- [Publications and webinars](#)
- [Latest news](#)
- [Careers, rewards package and staff profiles](#)

APPENDIX

Statement of responsibilities in respect of the Chief Executive's Report and the Financial Statements

The Chief Executive is the Accountable Officer for the Isle of Man Financial Services Authority ("the Authority") and is responsible for the preparation of both the Chief Executive's Report and the financial statements. The Chief Executive is also responsible under the Isle of Man Government Financial Regulations for assisting the Chief Financial Officer of the Treasury in ensuring that accounting and financial records are maintained.

The Chief Executive ensures that the financial statements are prepared for each financial period. The statements are prepared in accordance with UK Accounting Standards including FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland, as applicable to the Authority. The Isle of Man Financial Services Authority's audited financial statements also form part of the Isle of Man Government's audited financial statements which meet the requirements of the Accounts and Audit Regulations 2018 made under the Audit Act 2006.

In preparing the financial statements, the Chief Executive has:

- ensured that suitable accounting policies have been selected and then applied consistently;
- made judgments and estimates that are reasonable and prudent;
- stated whether the accounting policies specified by the Authority have been followed;
- assessed the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- used the going concern basis of accounting unless the Authority intends to cease operations, or has no realistic alternative but to do so.

The Members of the Authority, including the Chief Executive, are responsible for such internal controls as they determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to prevent and detect fraud and other irregularities.

The Members of the Authority are responsible for approving the financial statements, and should not approve these unless they are satisfied that the statements give a true and fair view of the state of affairs of the Authority and of the financial statements of the Authority for that period.

The Members of the Authority are responsible for the maintenance and integrity of the corporate and financial information included on the Authority's website.

The Accounts and Audit Regulations 2018 also require the Responsible Financial Officer to ensure that:

- the accounting control systems are observed;
- the accounting records are maintained in accordance with proper practices that are kept up to date;
- the accounts are prepared in accordance with the Accounts and Audit Regulations 2018 and any other statutory requirements available; and
- the accounts and relevant accounting records presented for inspection are sufficient for inspection purposes.

Certificate of the Tynwald Auditor General

In accordance with section 3(1) of the Audit Act 2006 I have appointed Grant Thornton Limited to audit the accounts of the Isle of Man Financial Services Authority for the year ended 31 March 2024.

In accordance with section 3(1A) of the Audit Act 2006 I have undertaken the following procedures to satisfy myself as to the adequacy of the work undertaken by the appointed auditor:

- reviewed the draft and any revised statement of accounts;
- reviewed the draft audit strategy document prepared by the appointed auditor;
- reviewed the draft report to those charged with governance prepared by the appointed auditor;
- reviewed the proposed independent auditor's report prepared by the appointed auditor;
- provided feedback to the appointed auditor as appropriate; and
- considered the responses of the appointed auditor to feedback provided.

Stephen Warren,
Tynwald Auditor General/Ard Scruteyder Tinvaal

2nd Floor
Prospect House
27-29 Prospect Hill
Douglas
Isle of Man
IM1 1ET

14 November 2024

Independent Auditor's Report to the Members and Chief Executive of the Isle of Man Financial Services Authority

Opinion

We have audited the financial statements of Isle of Man Financial Services Authority ("Authority"), which comprise the Income and Expenditure Account and Balance Sheet for the year ended 31 March 2024, and the related notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, Isle of Man Financial Services Authority's financial statements:

- give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice of the assets, liabilities and financial position of the Authority as at 31 March 2024 and of its financial performance for the year then ended; and
- have been properly prepared in accordance with the requirements of the Accounts and Audit Regulations 2018 made under the Audit Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under those standards are further described in the 'Responsibilities of the auditor for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Isle of Man, including the FRC's Ethical Standard, applied as determined to be appropriate in the circumstances for the entity. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Members' use of going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from the date when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Members with respect to going concern are described in the relevant sections of this report.

Other matter

For the year ended 31 March 2023, the Isle of Man Financial Services Authority was not required to prepare full financial statements under UK Generally Accepted Accounting Practice. Therefore, the prior year Balance Sheet is unaudited, and the Income and Expenditure Account, although audited, was prepared under a different basis. An unmodified opinion was issued in respect of the Income and Expenditure Account, which was prepared in accordance with the accounting policies set out within those financial statements, on 4 October 2023.

Other information

Other information comprises information included in the annual report, other than the financial statements and our auditor's report thereon, including the Chief Executive's Report. The Members of the Authority are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies in the financial statements, we are required to determine whether there is a material misstatement

in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

In accordance with Section 6(2) of the Audit Act 2006, we are required to include a statement in our audit report providing particulars where in relation to the accounts we:

- are not satisfied as to any of the matters specified in Section 4(1) of the Audit Act 2006; or
- consider that any matter specified in the Section 4(2) of the Audit Act 2006 is contrary to law; or
- consider that the relevant body has failed in any respect mentioned in Section 4(3) of the Audit Act 2006.

We have nothing to report in respect of the above matters.

Responsibilities of management and those charged with governance for the financial statements

The Members are responsible for ensuring that:

- the accounting systems are observed;
- the accounting records are maintained in accordance with proper practices and are kept up to date;
- the accounts of the Authority are prepared in accordance with the Accounts and Audit Regulations 2018 and other applicable law; and
- the accounts and relevant accounting records presented for inspection are sufficient for inspection purposes.

As explained more fully in the Statement of Responsibilities of the Chief Executive, management is responsible for the preparation of the financial statements which give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 102, and for such internal control as Members determine

necessary to enable the preparation of financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Responsibilities of the auditor for the audit of the financial statements

The objectives of an auditor are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes their opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Our responsibilities under the Audit Act 2006 include the following:

- consideration of whether the internal organisation of the Isle of Man Financial Services Authority and the internal controls maintained by it, are such to ensure the proper management of the finances of the body and economy and efficiency in the use of its resources, and
- consideration of whether the Isle of Man Financial Services Authority has complied with all principles prescribed by the Council of Ministers as directed by Treasury.

A further description of an auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatement in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Based on our understanding of the Authority and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Isle of Man Financial Services Act 2008, Data Privacy Law and Employment Law and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Accounts and Audit Regulations 2018 made under the Audit Act 2006. The Audit engagement principal considered the experience and expertise of the engagement team to ensure that the team had appropriate competence and capabilities to identify or recognise non-compliance with the laws and regulation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial performance and management bias through judgements and assumptions in significant accounting estimates, in particular in relation to significant one-off or unusual transactions. We apply professional scepticism through the audit to consider potential deliberate omission or concealment of significant transactions, or incomplete/inaccurate disclosures in the financial statements.

In response to these principal risks, our audit procedures included but were not limited to:

- enquiries of management on the policies and procedures in place regarding compliance with laws and regulations, including consideration of known or suspected instances of non-compliance and whether they have knowledge of any actual, suspected or alleged fraud;
- inspection of the Authority's regulatory and legal correspondence and review of minutes of Members' meetings during the year to corroborate inquiries made;
- gaining an understanding of the entity's current activities, the scope of authorisation and the effectiveness of its control environment to mitigate risks related to fraud;
- discussion amongst the engagement team in relation to the identified laws and regulations and regarding the risk of fraud, and remaining alert to any indications of non-compliance or opportunities for fraudulent manipulation of financial statements throughout the audit;
- identifying and testing journal entries to address the risk of inappropriate journals and management override of controls;
- designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing;
- challenging assumptions and judgements made by management in their significant accounting estimates including fixed asset depreciation and bad debt provision;
- review of the financial statement disclosures to underlying supporting documentation and inquiries of management.

The primary responsibility for the prevention and detection of irregularities including fraud rests with those charged with governance and management. As with any audit, there remains a risk of non-detection or irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or override of internal controls.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Authority's Members, as a body in accordance with the terms of our engagement letter. Our audit work has been undertaken so that we might state to the Authority's Members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

**Grant Thornton Limited
Douglas
Isle of Man**

14 November 2024

Income and Expenditure Account

for the year ended 31 March 2024

	Note	2023-24 £	2022-23 as restated £
Income			
Fee income	1(e), 3	6,312,588	4,203,748
Civil penalties	4	1,631,861	32,071
Less transfer to Treasury	4	(623,382)	-
Government grant	17	1,192,188	3,540,492
Resolution Authority admin levy	5	135,718	119,721
Other income		-	288
Total Income	1(e), 3	8,648,973	7,896,320
Expenditure			
Salaries	6	6,491,916	6,517,374
Members' remuneration	7	260,242	238,488
Recruitment costs	12	46,526	12,994
Premises	13,19	307,830	282,664
Training	12	83,919	76,062
Travel and subsistence	12	40,685	32,818
Professional fees	8,19	564,035	368,851
Other operating costs		67,347	57,746
Information technology	12,19	683,886	132,284
Professional subscriptions	12,19	54,883	56,822
Bad debts	14	9,103	10,390
Depreciation	1(h),19	38,601	40,440
Total Expenditure	1(f)	8,648,973	7,826,933
Surplus for the year	1(a)	-	69,387

The notes on pages 41 to 45 form part of these financial statements.

Balance Sheet

As at 31 March 2024

	Notes		2024 £		Unaudited 2023 £
Fixed Assets	1(g)(h), 9				
Equipment & furniture		288,033		288,033	
Less accumulated depreciation		(182,055)		(143,454)	
Assets under construction		77,421			
			183,399		144,579
Current Assets					
Cash		200		200	
Accounts receivable	1(j),10	5,948		1,130	
Prepaid expenses	1(f),19	114,833		109,827	
			120,981		111,157
Total Assets			304,380		255,736
Current Liabilities	11				
Accounts payable & accrued expenses	1(f),11	(88,489)			(51,578)
Amount due to Government	1(k)	(32,492)			(59,579)
Total Liabilities			(120,981)		(111,157)
Net Assets			183,399		144,579
Represented by					
Capital adjustment account	1(l)		183,399		144,579

Movement on Capital Adjustment Account

	2024 £	Unaudited 2023 £
Balance at 31 March 2023	144,579	179,327
Additions	-	5,692
Assets under construction	77,421	-
Depreciation charge	(38,601)	(40,440)
Balance at 31 March 2024	183,399	144,579

The notes on pages 41 to 45 form part of the financial statements.

The financial statements were approved by the Financial Services Authority on 14 November 2024 and signed on its behalf on 14 November 2024 by Ms Lillian Boyle, Chair, and Ms Bettina Roth, Chief Executive, Responsible Financial Officer and Member.

Notes to the financial statements for the year ended 31 March 2024

1. Accounting Policies

a) Basis of accounting

The Isle of Man Financial Services Authority (“the Authority”) is constituted under the Transfer of Functions (Isle of Man Financial Services Authority) Order 2015 as a Statutory Board of Tynwald. The Income and Expenditure Account is part of the general revenue account of the Isle of Man Government. The offices of the Isle of Man Financial Services Authority are situated at Finch Hill House, Bucks Road, Douglas, Isle of Man, IM99 1DT.

The financial statements have been prepared in accordance with the Accounts and Audit Regulations 2018, made under the Audit Act 2006. They are also prepared in accordance with UK Generally Accepted Accounting Principles (GAAP) including FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland, as applicable to the Authority. The principal accounting policies applied in preparation of the financial statements are set out below.

Some accounting policies adopted in 2023/24 represent a change to prior years’ accounting policies and these are included in the notes below.

The financial statements are prepared using figures extracted from the Government financial systems. They are prepared in GBP and rounded to the nearest £.

b) Going Concern

The financial statements are prepared on a going concern basis. The Isle of Man Government is committed to funding any shortfall of the Authority on an ongoing basis, in accordance with section 52(1) of the Financial Services Act 2008.

c) Balance Sheet

In previous years the Authority only produced an Income and Expenditure Account. Under FRS102 the Authority is required to produce a balance sheet. This is the first year that the Authority has prepared financial statements under FRS 102 and details of the transition are provided in Note 19.

d) Accounting Year

The accounting year used for reporting purposes is the twelve months ending 31 March each year.

e) Income

Income from regulatory and oversight fees and civil penalties is recognised when levied during the year in which fees are invoiced. Income that remains due

and is deemed irrecoverable is written off at the end of the period. Income from discretionary civil penalties is recognised in the year in which the penalty is levied. Civil penalty income is retained to the extent that it offsets the cost of enforcement, and the remainder is transferred to the Treasury (note 4). The Authority is also in receipt of Government funding by way of an annual budgetary grant (note 17). This is recognised as income to the extent that it is drawn upon by the Authority to fund its expenditure.

f) Expenses

Expenses are accounted for on an accruals basis. Prepayments with an individual value of less than £1,000 are not recognised where the total value of such prepayments is not more than 5% of total prepayment value.

g) Fixed Assets

A fixed asset register is maintained centrally by the Isle of Man Government. The cost of major computing hardware and software is included within fixed assets. The useful economic life of assets is determined as per the Isle of Man Government’s Financial Regulations:

Item	UEL (years)
Computing software	3-7
Computing hardware	3
Furniture	3
Fixtures/Fittings	20-40

Where expenditure on the acquisition, creation or enhancement of fixed assets is less than £5,000, a policy of non-capitalisation is adopted.

h) Depreciation

Depreciation is provided on all assets with a finite useful life, other than assets under the course of construction. Depreciation is calculated from the date of purchase based on the remaining useful economic life of the asset. Where depreciation is provided for, assets are depreciated by applying the straight line method to balance sheet values over the period reflecting their estimated useful lives. Depreciation is charged against the capital adjustment account.

i) Accounts Receivable

Accounts receivable are recognised at transaction price. In the financial statements, accounts receivable are offset against the provision for bad debt.

j) Accounts Payable

Accounts payable are classified as current liabilities if payment is due within one year or less. If not they are presented as non-current liabilities. Creditors are recognised at transaction price.

k) Amounts due to Government

This amount represents the balance due to/from the Isle of Man Government's general revenue as at the Statement of Financial Position date. As per the Financial Services Act 2008, any fees received under the Act shall form part of the general revenue, and any expenses incurred by the Authority shall be defrayed out of money provided by Tynwald, therefore an amount due between the general revenue and the Authority exists at each Statement of Financial Position date. An amount due to the Government represents a net amount payable in relation to fees, whereas an amount due from the Government represents a liability of the Isle of Man Government to meet the expenses of the Authority.

l) Capital Adjustment Account

This account represents the capital funding provided to finance expenditure of fixed assets, this is advanced to the Authority by the Isle of Man Government's general reserves, and more specifically the Capital Financing Reserve.

m) Pensions

The majority of the Authority's employees are members of the Isle of Man Government Unified Pension Scheme, a multi-employer defined benefit scheme which is administered by the Public Service Pensions Authority. Employees contribute to the scheme with employer's contributions being funded from the Authority's salaries budget (see note 6 below). Sufficient information is not available to adopt defined benefit accounting for this scheme, therefore the scheme is accounted for as a defined contribution. Pension costs are recognised in the year in which they are incurred.

2. Significant Judgements and Estimation Uncertainty

The key areas considered in the preparation of the financial statements which require management to make significant judgements and which are key sources of estimation uncertainty include:

Multi – employer pension scheme

The majority of the Authority's employees are members of the Isle of Man Government Unified

Pension Scheme. This scheme is a multi-employer scheme; sufficient information is not available for the Authority's share of the liabilities to be identified and therefore under FRS 102 Section 28.11 the Scheme has been accounted for as a defined contribution scheme. See Note 6 for further details.

3. Fee Income

Fee income comprises annual, application and pro-rata fee income from all regulated sectors and Designated Businesses.

The increase in fee income reflects an increase to annual fees for all sectors for 2023/24 as the first year of a three year phased implementation of a new fee structure for firms regulated or overseen by the Authority, as announced by the Treasury in the 2020/21 Isle of Man Budget.

Breakdown of fee income:

Annual Fees	2023-24 £	2022-23 £
Banking	830,900	408,348
Collective investment schemes	112,000	177,280
Investment business	405,300	220,129
Money transmission services	79,450	25,289
Services to collective investment schemes	203,000	243,817
Trust & corporate service providers & professional officers	1,356,816	696,573
Life insurance	1,511,650	1,143,508
Non-life insurance	1,107,325	946,609
Retirement benefits schemes administrators	84,350	131,835
Designated non-financial businesses & professions ¹	347,682	156,082
Other Income		
Non-budgeted income ²	240,385	-
Other	33,730	54,278
	6,312,588	4,203,748

¹ 2022-23 includes application and pro-rata fees for Designated Businesses

² excluding civil penalties

4. Civil Penalties

Civil penalty income reflects administrative civil penalties levied on regulated and registered entities and discretionary civil penalties levied on regulated entities.

A total of £1,581,811 (2023: £307,292) was received in respect of discretionary penalties levied on regulated entities arising from enforcement actions or settlement agreements. As prescribed by the Authority Funding Model, from 1 April 2023 discretionary civil penalty income is offset against the Authority's enforcement costs, for the financial year in which the penalty was received, including the cost of external legal fees. Any remaining balance is passed to the Isle of Man Treasury. The Authority has transferred £623,382 (2023: £nil) to the Treasury which is accounted for as a credit to the IOM Government's general revenue. This is a change to the prior year policy in which discretionary civil penalty receipts were accounted for as credits to the IOM Government's general revenue and not reflected in the Authority's income and expenditure account.

5. Resolution Authority – Administrative Levy

The Authority is the Resolution Authority for the Isle of Man. The Resolution Authority's operational costs are recovered annually, in arrears, by means of a levy on the banking industry.

In 2023/24 a total of £135,718 (2023: £119,721) was recovered in respect of the Resolution Authority's 2022/23 operational costs.

6. Salaries

Included within "Salaries" are employer pension contributions of £680,802 (2023: £683,616) and employer's National Insurance contributions of £564,368 (2023: £581,310). The Isle of Man Government Unified Scheme is a multi-employer final salary pension scheme which is available for Isle of Man Financial Services Authority employees. The extent of the Authority's liabilities under the scheme is limited to the contributions made annually to the scheme and therefore the scheme is accounted for as a defined contribution scheme. The Authority is not liable for other contributing employers' obligations. Details of the deficit of the Government Unified Scheme are available in the Isle of Man Government's annual financial statements. The Isle of Man Government is responsible for funding any deficit of the Government Unified Scheme.

Annual remuneration of the employees of the Authority, net of employer pension contributions, was payable within the following bands:

	2024 No. of employees	2023 No. of employees
£0 - £49,999	43	39
£50,000 - £74,999	33	33
£75,000 - £99,999	11	8
£100,000 - £124,999	5	6
£125,000 - £149,000	2	2
£150,000 - £174,999	0	0
£175,000 - £199,999	0	0
£200,000+	1	1
Total	95	89

The 95 members of staff equate to a full time equivalent of 92.02 employees (2023: 86.03). In addition, four staff members were employed on zero hours' contracts. During the year, Treasury agreed to fund a number of additional roles for the second half of 2023/24. As of 31 March 2024, the Authority had recruited to 10 of these roles, the cost of which has been met within budget.

7. Members' Remuneration

Members' remuneration includes employer's National Insurance contributions. During the year two Members retired from the Board and two new Members were appointed. In addition, one Member was reappointed. As at 31 March 2024 membership of the Board remains at nine, including the Chief Executive. Salary cost in respect of the Chief Executive is included within "Salaries" (note 6).

8. Professional Fees

Professional fees includes expenditure on actuarial, accountancy, legal and consultancy services procured by the Authority. The increase in costs in relation to professional fees compared to 2022/23 is attributed to legal fee costs incurred in 2023/24 in relation to enforcement cases.

9. Fixed Assets

Cost	Furniture/ Fittings £	Computing £
Balance as at 1 April 2023 (Unaudited)	21,770	266,263
Assets under construction/ Additions	-	77,421
At 31 March 2024	21,770	343,684
Accumulated depreciation		
Balance at 1 April 2023 (Unaudited)	5,070	138,384
Charge for the year	1,488	37,113
At 31 March 2024	6,558	175,497
Net book value at 31 March 2024	15,212	168,187
Net book value at 31 March 2023 (Unaudited)	16,700	127,879

10. Current Assets

Accounts receivable within current assets relate to VAT.

11. Current Liabilities

	2024 £	Unaudited 2023 £
Accounts payable	71,355	28,780
VAT payable	-	20,803
Accrued expenses	17,134	1,995
	88,489	51,578

12. Variances

Some areas of expenditure show significant variances on the prior years. During the year the Authority entered into a contract for an AML software system on a renewable annual licence, for which the expenditure has not been capitalised.

Variable costs include the annual training programme, attendance at events and overseas conferences, recruitment and professional fees. The significant increase in recruitment costs in 2023/24 relates to the higher level of recruitment in 2023/24

in respect of newly created roles (see also note 6). In addition, the decrease in expenditure in relation to professional subscriptions is attributable to the Authority's change in accounting policy to recognise prepayments.

13. Rental Expenses

The Authority pays an annual fee of £243,020 (2023: £243,020) to the Isle of Man Government for the use of the building on a non-lease basis. This fee is included within the cost of Premises.

14. Bad Debts

Debts totalling £9,103 (2023: £10,390) reflect outstanding fee payments for 2023/24, where there is little or no expectation of recovery, which were written off at the year end.

15. Segmental Reporting

The Authority acts as both the regulator of relevant entities in the Isle of Man and the Resolution Authority for the Isle of Man in accordance with the Bank (Recovery and Resolution) Act 2020. No segmental reporting has been provided as the total income and expenses of the Resolution Authority are not material to the financial statements. See Note 5 for further details of the Resolution Authority Levy.

16. Related Party Disclosures

The FSA is exempt under Section 33 of FRS 102 from disclosing transactions and balances with the Isle of Man Central Government as it is included within the consolidated financial statements prepared by the Central Government.

Members' remuneration is disclosed in the Income and Expenditure Account.

Some Members of the Authority's Board may also act as Directors of registered and regulated entities. All registered and regulated entity fees are charged in accordance with the Financial Services (Fees) Order; Insurance (Fees) Regulations; Collective Investment Schemes (Fees) Order; the Registered Schemes Administrators (Fees) Order, and the Designated Businesses (Fees) Order. For 2023/24 there were no fees generated (2023: none) from entities where Members are Directors of registered and regulated entities.

17. Government Grant

A budgetary grant for 2023/4 was approved by Tynwald at its February 2023 sitting. This grant secured the provision of up to £2,673,441 (2023: £3,584,616) to cover any shortfall. Income in respect of civil penalties has reduced the level of grant funding required in 2023/24 (see note 4).

18. Other work carried out by Grant Thornton Limited

Grant Thornton Limited, under appointment by the Isle of Man Courts, is currently undertaking liquidation work where the Authority has exercised its power to apply for “winding-up in the public interest”. To allow the Authority to exercise this power, the funding for the fees and disbursements of the liquidator is underwritten by the Treasury of the Isle of Man Government.

To mitigate any potential issue with independence, this work is carried out and reviewed by a different Grant Thornton team than that involved in the audit.

19. Transition to FRS 102

As noted within the accounting policies, the Authority has elected to prepare a balance sheet for the year ended 31 March 2024. A balance sheet for the year ended 31 March 2023 has been prepared for the purpose of providing a comparative. The effect on the balance sheet of the transition to FRS 102 is shown below:

	Opening balance 1 April 2022 £	Transition adjustments £	Final balance 31 March 2023 £
Fixed assets	-	144,579	144,579
Current assets	-	111,157	111,157
Total assets	-	255,736	255,736
Current liabilities	-	(111,157)	(111,157)
Total liabilities	-	(111,157)	(111,157)
Net assets – represented by capital adjustment account	-	(144,579)	(144,579)

The 2022/23 Income and Expenditure Account has been restated to reflect the current year change to accounting policies as applied to the 2023/24 financial statements. The changes to account for prepayments and depreciation have resulted in a reduction in overall expenditure in 2022/23.

The 2022/23 Income and Expenditure Account reported other operating costs separately as operating expenses (£33,013) and other expenses (£24,733).

The impact on the Income and Expenditure Account for the year ended 31 March 2023 is shown below:

	2022/23 Reported £	Transition adjustments £	2022/23 Restated £
Total Income	7,896,320	-	7,896,320
Expenditure			
Employee costs	6,639,248	-	6,639,248
Members’ remuneration	238,488	-	238,488
Premises	302,916	(20,252)	282,664
Professional fees	373,088	(4,237)	368,851
Information technology	165,819	(33,535)	132,284
Professional subscriptions	108,625	(51,803)	56,822
Other operating costs	57,746	-	57,746
Depreciation	-	40,440	40,440
Bad debts	10,390	-	10,390
Total Expenditure	7,896,320		7,826,933
Surplus		(69,387)	

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ISLE OF MAN
FINANCIAL SERVICES AUTHORITY

Lught-Reill Shirveishyn Argidoil Ellan Vannin